SAN FRANCISCO, CALIFORNIA, MAY 18, 2009 - 10:05 A.M.

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ADMINISTRATIVE LAW JUDGE GAMSON: We are going on the record.

Good morning. This is a workshop in proceeding A. 08-07-021, the utility applications for 2009 to 2011 energy efficiency portfolios.

Welcome. I'm Administrative Law Judge David Gamson. With me today is Commissioner Dian Grueneich and, from the Energy Division, Carmen Best.

Today's workshop, I'm just going to make a few preliminary remarks and talk about a couple of procedural things, and then we'll go directly into the workshop.

We have the workshop set up to go through about 4:00 o'clock, or possibly a little bit later depending upon how things go, so we have a lot of items that we need to discuss.

Before we get going, I'd like to just make some preliminary remarks and then give Commissioner Grueneich a chance to make some preliminary remarks.

First, I want to note that this workshop is being reported. It is being -- it will be transcribed by the court reporter. Because of that, it makes the format a little bit difficult, and we need to be courteous to the court reporter so that we do get a good transcript.

So what that mean is that when anybody needs to speak, they have to come up to the front and speak to the mike.

Secondly, one person at a time.

Third, you have to identify yourself.

Fourth, I will mention that there are -- as I said, there are a number of people on the telephone. Telephone participants can speak, and we will allow their participation because it will be helpful for the workshop. So if anybody on the telephone would like to speak, please clearly speak up, identify yourself, be patient. Sometimes it's a little bit difficult to get through from the telephone and to understand. So let's just all be patient with that. And with that I think we'll have a good workshop discussing very important issues.

Secondly, I'd like to make a comment on the agenda for today.

Now Energy Division did send out an agenda with some attached materials the other day, and I hope everybody did manage to get a copy of that.

Is there anybody who doesn't have a copy of the Energy Division materials?

(No response)

ALJ GAMSON: Okay. We will take everybody has a copy, at least everybody who wants one. So that's very helpful.

And I'd like to commend Energy Division for their work in putting together a fine agenda and putting together some interesting materials for discussion today.

On the agenda there will be one change, which is that the discussion that was going to occur after lunch from TURN will be happening before lunch, and the decision on applying 2008 DEER estimates will occur after lunch. So we'll just switch those two items in the agenda. Otherwise, the agenda will be the same.

Now the reason we're having this workshop today was laid out fairly well, I think, in fact, very well, in the agenda itself that was sent out the other day, but let me just go through it a bit.

We have determined that there is a possibility that there's a problem out there. And the problem is that the utilities might not be able to meet their Commission-established energy savings goals for 2009 to 2011 under the current circumstances in terms of Commission direction and other matters.

And we' trying to deal with these issues in a couple of different ways. First, to find out if there is, in fact, a problem at all.

The utilities have asserted in their filing that there is a problem, that certain goals, and particularly therm goals, would be difficult, if not impossible, to meet. That is a utility statement, it is not a proven fact. Parties have made comments on those issues, but it is something that we're looking into as part of this proceeding.

To that end, the utilities proposed a number of changes to current Commission rules or policy rules and from the policy manual to deal with the potential of need being able to immediate their goals.

There is a Proposed Decision that I think most of you should be aware of, hopefully all of you, that is on the Commission's agenda for Thursday this week. Now we're not here to talk about that Proposed Decision. We have had a formal comment period on that Proposed Decision. That's not the topic of this workshop itself; however, it is relevant because the point of that Proposed Decision, and hopefully final decision soon, would be to -- the impact of it would be to change some of the goals that pertain to the utilities for the next few years. So we will find out what happens with that decision.

But the Proposed Decision does not adopt all of the utility proposals. It adopts some of them and partially adopts other ones, and it defers a couple of others proposals.

So to the extent from the utility's perspective, I suspect, in fact, having seen the comments, the utilities would say that this Proposed Decision if it stands as written would not allow them to meet certain of their goals.

So we will see what happens with that decision, but nevertheless, there are still some outstanding issues which we feel need to be looked at.

One of those issues has to do with changes that have occurred in underlying data over the last couple of years, particularly in the DEER. And we through Energy Division analysis have determined that there is an issue here, that there are issues here that we need to be looking at, we need to be thinking about, about whether the current goals are properly aligned with the underlying data, with the underlying studies that have been out there. So that's an appropriate issue to be thinking about and talking about here at the workshop.

Beyond that, there is a specific issue for San Diego Gas & Electric. Previous Commission decisions have noted that SDG&E's goals which were established, I believe, in 2004 were established on a different basis than they were for the other utilities.

SDG&E has requested changes to those goals on a generic basis, I believe a 25 percent reduction. That issue was not dealt with in last year's goals decision, which was D.08-07-047, if I remember correctly. And it was essentially punted to the portfolio decision this year. So that is still an outstanding issue.

I cannot say what the Commission will do on that issue, but I do think it's very likely the Commission will not only address the issue but will address the issue substantially. So that whether SDG&E's 25 percent proposal itself gets adopted, something in that direction will almost certainly be adopted by the Commission, is my prediction. Can't say for sure.

So between the -- what we're calling the policy decision on the agenda, some of the underlying data that's out there in terms of whether goals are appropriate for today, and the SDG&E issue, there is -- there are several avenues for addressing the goals issues or perhaps problems that have arisen in the filings here.

I want to talk a little bit about process, but before I get to that, Commissioners Grueneich, do you have any comments on these matters?

COMMISSIONER GRUENEICH: Sure.

First of all, welcome to everyone and thank you for giving your time and attention to what is an incredibly important issue.

I'm going to just say my own personal beliefs, but they need to be informed by the record and by what people are going to say. And I won't be able to be here for all of today. I'm going to try and be here for as much as I can to learn, and then I certainly will be reviewing the transcript.

My personal belief is that the goals probably do need to be updated. From what I know with SDG&E, we have known, this Commission has known for some time that those goals probably are too high and they need to be revised, and we've made a commitment for the portfolio decision that we will get them updated. So that certainly is going to be an area of focus, to make sure we have the record so we can get the goals in line with where they need to be for SDG&E in particular.

In terms of the larger goals, I think that we've learned lot more through the activities that have happened, through the EM&V studies that we've done, and we need to make sure that that information is reflected in the goals.

We have done a lot more energy efficiency, and that alone is going to make, in my mind, it more difficult and more costly to be doing the type of energy efficiency we are committed to doing in California. And that again gets reflected in the goals.

And then finally, we are in the middle of a very deep, very serious economic recession, and that means that we're not having, in my mind, the amount of load growth that we probably were anticipating when we set those goals.

So that's really my personal reflection of where I stand now. I really want to understand what are the issues with the goals and then doing as much good thinking as we can so that in our decision on the portfolios we get this piece, which is incredibly important, right. Thank you.

ALJ GAMSON: Thank you, Commissioner.

Another area to look at in goals that we're going to be talking about today in the workshop is, so far what I have talked about is essentially in terms of the utility proposals themselves and whether various changes would help the utilities or allow the utilities to meet their Commission-established goals based on their portfolios. But their portfolios may not be adopted. In fact, I'm almost certain that the utility portfolios will not be adopted one hundred percent.

There's a variety of proposals that are out there from parties that are already in the record in terms of changes to the utility portfolios which could be adopted by the Commission, advocacy by the parties. In particular, if changes are made to the portfolio mix, including the number or amount of CFLs that are in the portfolio, it could have substantial effects on the ability of the utilities to meet their Commission-established goals.

One of the things we need to talk about today is, well, how does that work. You know, what are we talking about in terms of the numbers. What are we talking about in terms of goals themselves. Should there be some changes to the goals if the Commission wants to change the portfolios. Are there offsets. Are there things that have to be done in concert.

This is a difficult issue because it's a moving target, but it's something that's worth discussing. It's one of the reasons that we're here today.

Now I'd like to talk a little bit about process. As I've said, the issue of the policy issues that are in the PD before the Commission is obviously within the proceeding. The issue of SDG&E's 25 percent goal reduction is obviously within the proceeding and the issue of portfolio changes is within the proceeding. But what may not be within the proceeding at this point is whether the Commission can generically change the goals outside of the factors that I have mentioned.

The reason for that is because it's technically not within this proceeding. There was a Scoping Memo which was issued in this proceeding on November 25, 2008. It was amended, I think it was February 25, 2008. The Scoping Memo does not have the generic issue of goals within it as part of this proceeding. That is part of a different proceeding, which is Rulemaking 06-04-010.

That's a nice bureaucratic point. Is it significant? The answer is, well, yes and no.

There's a couple of different things which we can be looking at today. And I'd like parties to think about these matters, and if you have any comments on them after I've finished, or any time during the day, it would be helpful to talk about.

I'll just mention a couple of possibilities.

One is that there is no need to do anything either because there isn't a need to change goals generically or because of some other factor that, for example, we can determine by hook or crook that the question really is within the proceeding already.

Secondly, we could formally change the scope of the proceeding and stick the issue in the proceeding. That's always possible to do. We have the authority to do that.

Third, we could theoretically combine this proceeding with the rulemaking. I happen to be the ALJ on both proceedings. Commissioner Grueneich happens to be the assigned Commissioner on both proceedings.]

So not too hard to talk to each other and think about that.

So my feeling at this point is that the topic of changing goals, if it is an appropriate thing to do, is something that can be done within the context of getting the '09-'11 portfolios finished. So for anybody who has some concern about the procedural aspects, and I may be the only one, please give your comments on these procedural matters if you have any and also just think about it a little bit as we go along.

And then finally, before we get into the meat of the workshop today, I just wanted to mention that we will not be making any final decisions here today. This is a workshop. It's not intended as a decisionmaking forum. It's intended as an educational forum. It's intended as a sharing forum. It's a listening forum, and it's just a forum to get ideas out there. It's not a time to make decisions.

It's possible that there will be comments that will be taken on this workshop. Afterwards, we'll decide that later on whether it's needed depending on what gets discussed today, and it's possible some other issues that will come up will come up today that need to be -- there needs to be a ruling or some other decision that's made. But today is not the day to make any decisions, just a day to talk and learn.

So with that, I'd like to ask if there's any preliminary comments or discussion before we get into the actual workshop issues.

(No response)

ALJ GAMSON: Okay. Can I ask people on the telephone to just say hello for a moment just to show that you're there.

UNIDENTIFIED SPEAKERS: Hello.

ALJ GAMSON: Okay. For the court reporter I'll note that I heard a number of hellos. So there are people on the telephone.

Because it is a little bit hard to hear from the telephone, you might have to be a little bit assertive if you want to talk. So thank you people on the telephone for calling in.

All right. So at this time I'm going to turn it over to Carmen Best, who will introduce our first presentation.

MS. BEST: Good morning, everyone. The first presentation will be done by Michael Wheeler, and it is to look at the status of the current filings and how that looks for goals and cost-effectiveness.

STATEMENT OF MR. WHEELER

MR. WHEELER: Good morning, every one. Good morning. My name is Michael Wheeler. And you'll forgive me for not presenting in PowerPoint format. It seems to be a waste of time to take the material that was sent to you all, the agenda last week, and just try to convert it to slides. So I think we'll do just fine with a Word document.

Thanks for the introduction of issues already. I'm going to say a couple of things here. First of all, I'm representing the goals analysis team, and for the work that we've done, I may be able to answer some of the questions that you might have. Others I may refer to some of our colleagues on the team.

And let's see. So some of the background before I get into this analysis is of course that this represents an effort to understand where we've been, what we know, and what we've got in front of us as the future is of course uncertain and goals are always a good thing to strive for, but as they -- as goals are projected out in the future and get further and further away from the data that they -- that was initially used to produce those goals, perhaps those goals become less and less reliable as a target to strive for.

So what we've got already is that in 07-10-032, some of you I'm sure were part of that, the Commission chose not to change our goals for 2009 through 2011. And we began a process to update our goals for 2012 through 2020. Those goals, that goal framework and those goals, total market gross goals were adopted in 08-07-047. And at that point in time the Commission also chose to use the same numbers for 2009 through '11, but we characterize the goals as gross.

And in our current draft decision that there's always been -- already been lots of discussion around, lots of comments filed in regards to the Commission is considering a 20 percent therm decrement for the dual fuel utilities and in addition considering eliminating the years 2004 and 2005 from the cumulative savings targets.

So that brings us to now. And so I just wanted to say that this analysis that we've put together is an attempt to try to represent some of the possible impacts should that decision be adopted in current form, but I wanted to provide some of the caveats to this analysis as well. I think I need to adjust the size here because you can't see all of this document. Bear with me for just a moment here. Okay. I think that does it well enough. I apologize if this is hard to see. It is 12 point font, something like that.

So some of the caveats with regards to these goals, or I'm sorry, this analysis is that we've tried to develop a series of scenarios that inform us about the outlook of this draft decision on policy issues so that we can recognize that there is some time before we get to this final decision for the '09 through '11 portfolio. And if there are other adjustments that need to be made, this analysis and this discussion can help to bring those about.

A couple of caveats are that, let's see, what we've got here is in this analysis we have the adopted '04 through '11 goals. We have '04 through '11 goals presented in this column. The 2006 through 2011 goals if '04 and '5 are dropped in this column, and then the 2009 through '11 goals in their adopted format in this column. Noting that, as ALJ Gamson mentioned, for SDG&E we expect that there will be some adjustment possibly to their goal levels. However, that is not a part of this analysis. The numbers in this analysis under the goals column are for their currently adopted goals, just FYI.

Moving down, the other caveat is that under the mandated and preferred portfolio impact columns, specifically for the '06 through '11 impact, because we are calculating those impacts, what we've done is we have taken the impacts projected in the utilities' applications and for -- and projected those forward, but for 2008 because those numbers are not ex post verified and all of that yet, those are the utilities' filed or recorded 2008 numbers decremented by the, what do you call it, the verification report and adjustment factor as was witnessed for 2006 and 2007.

So let's get into sort of what we found in here. I believe this handout was on the back table. You should have all got it. There's a couple adjustments, I apologize, from what was presented or what was sent out with the agenda on I believe it was Thursday, Thursday or Friday last week. I will identify those when we get to them.

But simply what we're trying to do here is given the possible adjustment for therms and the possible adjustment for cumulative goals identifying perhaps where issues pop up with utility portfolios not being able to meet the goals as they currently are and are proposed to be adjusted. So what we look at, we tried to identify in red here where utilities are not meeting these goals. And what we see is that for all the different scenarios PG&E and Edison are able to meet both the '09 through '11 goals for that portfolio cycle as well as a 2006 through 2011 cumulative goal and that the issues seem to be mostly with SDG&E and Southern California Gas Company. So maybe I'll shift down to where the visuals are because that's a little bit easier to --

UNIDENTIFIED SPEAKER: Can I ask questions in between or at the end?

MR. WHEELER: I think I'm just going to present real quick, and then we've got half an hour for questions at the end. That will probably be easiest if that's okay.

Gosh, you can't see all of this on one page, I'm afraid. We can, if you all would be accepting of forgoing the title since we know that this is the gigawatt-hours goal scenario presentation, I'll cut off the title. That way we can see all of the information underneath.

So we've presented the 2004 through 2011 goals which are currently adopted. Up at the top here inside of these two boxes here, this being Box 1 and this being Box 2, we have two different scenarios, one being the 2006 through 2011 as proposed cumulative goals as proposed in the current draft decision. And in this case it's a little hard to see, but where there is -- gosh, you can't see it here. SDG&E in both the mandated and the preferred scenario is not meeting the 2006 through 2011 cumulative goals. That would be identified as something that we'd probably want to talk further about as this proceeding goes forwards. And then down here with 2009 through '11 goals for this program cycle again we see that in the mandated scenario for '09-'11 SDG&E is having trouble meeting those goals. However, for the first scenario that they are able to accomplish those goals.

Moving into megawatt goals, this is a change from what you saw in the material that was distributed last week. These two cells here were not red. Now they are. The numbers have not changed, but we just changed the font to red, meaning that in this scenario we have a preferred portfolio. Both for the '09 through '11 period and the '06 through '11 period SDG&E is having trouble meeting its megawatt-hour goals.

Let's jump down to the graphic, cutting off the top. So that would be both in this -- if this is our goal here for SDG&E, again, PG&E and Edison are achieving their goals in both these scenarios. SDG&E, this is the goal, is having trouble in its '06 through '11 preferred scenario. And here is the goal for 2009 through 2012. And again, in SDG&E's preferred scenario having trouble achieving that goal.

Finally, moving down to therms, no adjustments to this page. However, I did want to simply talk through what you're seeing here in case it was difficult to understand. Under the cumulative goal options here for '06 through '11 and through 2009 through '11 there are the adopted goals standing alone. And then in parentheses those are the goals given a 20 percent decrement.]

And I believe there is an adjustment from what you were handed out last week. There was presented a 20 percent decrement in parenthesis in these two cells for the gas company. That was my mistake, I apologize. There is no decrement for the gas company goals, that is supposed to be there. They are not there for the utility. It is simply for PG&E and SDG&E. And in these parenthesis here would be those goal numbers.

Over here on the '09 through '11 impacts refined goals, cumulative '06 through 11, again, SDG&E is having difficulty meeting even with 20 percent reduction, 17 is less than 20, or 23.

In addition, for Southern California Gas Company for the '09 through '11 period, we see difficulty meeting the '09 through '11 goal and the cumulative '06 through '11 goal as well, 61 and 85 being less than 143.

Just down to the graphic, but I spoke through all of that. You have it in front of you.

Finally, what we've got here in this analysis is currently filed portfolios cost-effectiveness values. This, again, representing a change, which you received last week. The bolded numbers here were not correct. We've changed those to what was actually filed for mandated preferred net gross program administrator costs.

In general, it raised the numbers that were presented in the package that you received last week. But the takeaway here, of course, is that all the portfolios that were filed, whether you choose to look at them as a mandated or preferred perspective or net gross perspective, all of those were cost-effective with, I believe, SDG&E's mandated net being the closest to neutral cost-effectiveness of one, everything else being above that.

So that is the analysis that we presented, or that we've done to inform the ALJ and energy efficiency decision makers, and you all as well are parties.

And I can open up for questions now on the analysis for points to consider and move forward in this proceeding to discuss.

Questions?

ALJ GAMSON: Before we do that, let me go off the record for one moment.

(Off the record)

ALJ GAMSON: We are back on the record.

MS. RAMAIYA: This is Shilpa Ramaiya from PG&E.

Can you explain further the verification report adjustment factor that was calculated? I wanted to understand how it was calculated. Is that the percent below 100 percent, that is how you made the adjustment to '08? Or is it -- did you calculate the ratio of the '08 savings to '06-'07 savings then do reduction? I'm trying to understand that.

MR. WHEELER: Sure. That is good question. And I'm going to put that over to a colleague.

Who is best able to answer that question, Carmen?

MS. BEST: That was based on -- we took the reported savings from '06-'08 as filed by the utilities and verified savings that were in the verification report. And it was the ratio of the difference by utility and by fuel type. Then we applied that to the filed savings for 2008.

MR. ARAMBULA: Don Arambula, Southern California Edison.

Just a follow-up question on that. The verification report for '06-'07 looked at a set of programs. It admitted that it didn't look at all the programs.

So the verification report adjustment factor, was that applied to those programs that were looked at, or just a handful of programs that were evaluated?

MS. BEST: I'll fuel that one again. This is Carmen Best.

It was applied across the board. So, no, it did not just look at those programs. It was applied as a ballpark figure, if you will, to the savings for '08.

MR. ARAMBULA: What about '06-'07, was that a factor applied to the '06-'07 results for values that weren't evaluated?

MS. BEST: No.

MR. KESTING: Oliver Kesting, PG&E.

I wanted to clarify, I spoke with -- I exchanged e-mails with Peter Lai late last week. My understanding is that EUO dropoff is not included in this analysis.

MR. WHEELER: That is correct. That is something I forgot to mention in your -- it is in your handout, and it is there on the screen. The potential studies by which goals are based upon do not include decay. And equally, to simplify this analysis, the projected impacts for '09-'11 specifically for -- yeah, for '09-'11 and cumulative '06 through '11, do not include decay as well.

MR. ARAMBULA: Don Arambula again.

I just wanted to note a correction on one of the tables. Actually, it is the one that is on the screen, I believe.

MR. WHEELER: Sure.

MR. ARAMBULA: Megawatt-hours, gigawatt-hours.

For Edison, the '06, under the mandated portfolio, the '06-'11 impacts, the 8,177, that actually should be switched with the preferred portfolio number of 8,869.

MR. WHEELER: Okay. Noted.

MR. ARAMBULA: Thank you.

MS. RAMAIYA: Shilpa Ramaiya from PG&E again.

Michael, can you explain, if these are calculated without decay, is that how cumulative savings will be calculated going forward?

MR. WHEELER: No. The reason why we were able to calculate without decay in this situation was because we were given that '04 and '05 are proposed to be dropped from the definition of cumulative long-term cumulative savings, that leaves the impacts beginning in 2006 as foundational impacts going forward. And while it appears if we look at the really short EULs, CFLs in commercial buildings, I think that is around two or three years, EULs and CFLs, and residential settings around five years.

I believe, those would begin -- given that margin impact is of course less CFLs, that that impacts -- that that decay would not occur until the end of 2009 through '11 cycle, coming from '06, '07, '08, '09, '11. We could possibly begin to see those, or we wouldn't begin to see those decay, that decay occur.

It was difficult to work that into an easy-to-understand, clean analysis. So we did include that here. However, this was a ballpark analysis to identify where -- if there was major issues that need to be addressed. But I think as we go forward and peel the onion back, do further analysis, we will need to do that.

But, to be clear, decay is a part of cumulative savings. We need to count that decay, and we will do that.

MR. KESTING: Oliver Kesting, PG&E.

We've looked at the decay issues, done some initial analysis for PG&E. And we are talking about six-year measure life. So anything with less than six-year measure life would begin by the end of 2006 or 2011. That would include lighting, other commercial lighting, as well as I think appliances, some appliances.

Our calculation shows it could be as much as 30 percent increase in the electrical, and as much as a 13 percent increase. It is a large number.

MR. WHEELER: Was that last number 13, Oliver, to make sure I heard you, 13?

MR. KESTING: 13, yeah.

MR. WHEELER: So I'm hearing that is an issue that definitely needs further analysis.

MR. ARAMBULA: Don Arambula, I have another question. Well, actually, informal statement.

The mandated portfolio was the portfolio used in the development of the cost-effectiveness ratios of the -- shown in the other table; right? But the statement that you bring up, the cost-effectiveness for the portfolios, that is what we filed?

MR. WHEELER: That is what was filed; correct. Both mandated and preferred that are presented here was filed.

MR. ARAMBULA: And the statement on the previous table that the analysis showed that the adjustment to the goal would still make the portfolios cost-effective, go back to the front page, the first statement there, that is just referring me to that cost-effectiveness ratios on the previous page?

MR. WHEELER: That is correct.

MR. ARAMBULA: Assuming the footnotes?

MR. WHEELER: That is correct.

MR. ARAMBULA: Thanks.

MR. WHEELER: Is that all?

(No response)

ALJ GAMSON: Now would be a good time for anybody on the telephone who has any questions or comments to speak up.

Okay, I don't hear anybody on the telephone who wants to speak up at this time.

Is there anybody else who would like to make a comment or ask a question on Michael's presentation?

MS. MITCHELL: Cynthia Mitchell, consultant for TURN.

A comment, when we discuss the magnitude at which the utilities will or won't make the goals under the compliant versus the preferred scenario, TURN would like to clarify that we are taking the utilities' filings at face value that there has been no determination yet as to whether or not the underlying inputs and values into the E-3 calculator, number one, are correct; and, two, whether they were applied correctly. So that affects where this data falls on the compliant versus the preferred.

Then as to the cost-effectiveness, that also influences that as well as to whether or not these portfolios are cost-effective. That independent evaluation of the underlying data has not yet been made.

ALJ GAMSON: I think that is an important point. I think that is something that does underlie, if we are talking about here that the numbers that are in these presentations have not been determined by the Commission, they have not gone through the whole -- they have not gone through the evaluation. And so these numbers are preliminary. They are based on some best estimates and some good evaluation by Energy Division, but they have not been adopted by the Commission. That is a fair point.

MS. MITCHELL: Thank you very much.

MS. NWAMU: Hi, Chonda Nwamu from PG&E.

I want to make a clarification. So the first statement, the conclusion about the analysis and that the utilities' portfolios would still be cost-effective and achieve savings goals, that is based on the analysis which did not include decay. Once you do further analysis, that may not hold true. I just want to make sure that we are all understanding of the same thing.

MR. WHEELER: Sure. Yeah, I think that this analysis to publicly -- if we had a little more time, it would have been useful to indicate what level of, call it buffer, in between some of these projected cumulative impacts would be compared to the '06 to '11 and '09 through '11 goals, whether or not we are looking at a large difference in these numbers or actually very close.]

MR. ARAMBULA: Michael -- this is Don Arambula again.

Yeah, just to note that the mandated scenario that we put forth in our testimony and noted in our testimony required us to shift monies away from, you know, key programs within the strategic plan and to upstream lighting kind of measures such as codes and standards, emerging technologies --

THE REPORTER: I'm sorry, I can't hear you.

MR. ARAMBULA: I'm sorry.

-- codes and standards, emerging technologies, workforce education and training and residential new construction -- those types of programs. To meet the requirements of the cumulative goal outlined in the mandated scenario, we had to shift dollars away from those activities.

So it is somewhat misleading to assume that the portfolio is essentially cost-effective assuming we have to fortify those activities with --

MR. WHEELER: I think there's another point to -- for everyone to be aware of is that we are looking simply here at the quantitative nature of these portfolios and not at the qualitative nature of the portfolios, the programs that are within the focus that they present and the priorities that they put forward. We're simply looking at whether or not they're cost effective and whether or not they meet goals given adjustments that are currently on the table right now and possibly the decision.

MS. GEORGE: Are shareholder incentives included in the cost-effectiveness numbers?

MR. WHEELER: Could you use your microphone? It talks -- it speaks into the telephone.

MS. GEORGE: Oh, sorry.

I wanted to know whether --

MR. WHEELER: Could you turn it on actually.

MS. GEORGE: Okay. It's Barbara George from Women's Energy Matters.

And I'd like to know whether the shareholders' incentives are included in the cost-effectiveness calculations anywhere?

MR. WHEELER: Can I punt that to one of my colleagues? I'm not sure.

MS. RAMAIYA: This is Shilpa Ramaiya from PG&E.

That was included in our utility filings as a component of the TRC per the Commission's rules.

MR. WHEELER: Thank you.

MS. GEORGE: And what about the other utilities and -- so does that mean that these numbers include that, include those profits?

MR. WHEELER: Would you -- you are speaking mostly about cost-effectiveness, so I can jump down to cost-effectiveness. So these numbers, you are asking if these numbers include the impact of the shareholder incentives as projected by the savings in charts above?

MS. GEORGE: Right.

MR. WHEELER: Again, I don't know. If I'm taking the numbers and I'm not -- I guess it's a yes. That's a yes, they include that.

MS. GEORGE: So all of the utility charts, all the numbers that they're giving, you add in that element assuming that you are going to get your maximum savings or in your mandated portfolio, since you are saying you're not meeting your targets admittedly, I believe. You said that you were not going to meet them unless -- or so are you assuming the 12 percent targets is what I'm saying, 12 percent incentives?

MS. RAMAIYA: So I can speak on behalf of PG&E.

In cases where we did meet the goal based on the existing mechanism and those percentages, that was included to that extent.

MR. ARAMBULA: For Southern California Edison, we had the same approach.

ALJ GAMSON: Can I clarify, was that a "yes"?

MR. ARAMBULA: Yes. Well --

ALJ GAMSON: No or yes?

In other words, it includes the incentive at 12 percent, I think that was what the question was.

MR. KESTING: That's a "no." We calculated what the incentives were. We estimated what the incentives were based on the -- how much we exceeded the goals. And that was included, not the maximum.

ALJ GAMSON: Okay. And that's based on the current incentive mechanism, correct?

And I think --

MR. KESTING: Yes.

ALJ GAMSON: Yes. And of course I think everyone knows that the current incentive mechanism is being reconsidered and looked at in another proceeding. So that's another moving target.

Thank you.

I believe that there was an interest by the utilities in making a presentation on this issue. So maybe we have one or two more comments, and then we'll get -- we should get to that.

So any other comments or questions on this presentation?

Go ahead.

MS. MITCHELL: Cynthia Mitchell from TURN.

I'd just like to offer another clarification in addition to the matter of the underlying data not being independently verified. There are a number of issues outside of the policy rule issues that would affect the cost-effectiveness and the achievement of the goals.

And on cost-effectiveness, the big one for TURN and DRA is the significant increase in the administration overhead and general cost between the '06-'08 portfolios and the '09-'11 portfolios.

ALJ GAMSON: Okay. Thank you.

I will note, as I think is fairly clear, that there are a number of moving targets within the analysis that has been done here today and within the Commission's analysis that we're going to have to do in order to finalize the portfolios here. This is a very, very complicated undertaking. We all know that.

Okay. Are there any other comments or questions on this presentation?

(No response)

ALJ GAMSON: Anybody on the phone want to say anything?

(No response)

ALJ GAMSON: Okay. So I understand that there is an interest by one or more utilities in making a presentation at this point.

We will go off the record.

(Off the record)

ALJ GAMSON: We'll go back on the record.

MR. ARAMBULA: Okay. My name is Don Arambula. I work for Southern California Edison. We have a couple of slides here, and it's on the goals update process.

I'll be co-presenting with Shahana, manager of measurement group.

This first slide goes to the point of the -- and I think everybody in this room will agree to the need to keep consistency throughout the process. What this slide is really saying is that we need to have -- identify the appropriate set of assumptions during the potential analysis to influence that potential -- those potential studies which are in turn used for the goal development and eventually used for the planning process for the IOUs, and then under the program evaluation process.

So it seems to be a simple thought that is very difficult to do given the number of years it takes from one point on the spectrum to the next all the way through to the evaluation process. But I think a lot of the problems we are experiencing today with the evaluation to 2006-2008, develop 2009 and run the portfolio programs -- all go back to this concept. It's a very simple concept that we have to keep the assumptions in a steady state through this process.

Shahana will present the next slide.

MS. SAMIULLAH: I'm Shahana Samiullah from Southern California Edison, with the measurement and evaluation group.

I wanted to bring your attention to this goal update and setting process, your attention to the fact that how we use the best available data in this process, which is -- in itself is going to be very critical to know what is the best available information in this update process and goal-setting process. We should not ignore any of the CPUC-mandated and CPUC-adopted protocol studies. And any update of the goal process should not ignore the fact that -- in this process we shouldn't legitimize wholesale DEER 2008 values within the goal-setting process.

Previously, in -- the previous and recent Commission direction on the DEER update was to -- and this was a historical -- historical perspective also from DEER update was to use -- update the DEER with the best available information from studies that equalized the approved methodologies in both doing those studies and using statistically approved samples.

And instead what happened was DEER systematically avoids -- what we have seen so far, systematically avoids using protocol compliance study results. And its increased reliance on engineering simulation -- simulation models and sometimes subjectively based data and sometimes it's also basing its results on extremely small and unrepresentative sample of prototypes and on individual judgments on what pieces of data to use in this DEER update process.

And so a common -- we have also found that a commonplace practice in DEER 2008 has been to sift through EM&V studies for data supporting results.

A stark example of this we have seen in the appliance recycling program series estimates where we see that -- where we see that a -- where a previous '04-'05 DEER update used the EM&V study presented results because, you know, if you use engineering simulation models, it cannot account for -- it's a well-known fact that it cannot account for behavior-related effects on savings, such as it cannot account, for that matter, for appliance recycling programs, cannot account for the behavior that goes along with the preventive use of inefficient refrigerators or freezers in savings estimates.

And hence the DEER '04-'05 update used the approved methodology based EM&V study results, which the DEER 2008 update did not. It actually wholesale ignored the results of the EM&V results for the appliance recycling program savings.

So these and other examples give -- I want to caution people over here if you are looking at updating the goals in this goal-setting process to use the best available information. And this particular example as I gave -- and there are other examples, too, where we can -- we can say that we need to be concerned about when we're using any updated savings estimates to use the best available information.

MR. KESTING: I'm Oliver Kesting. I just had a couple of slides to respond directly to the Energy Division analysis, if I can find the slide.

So PG&E received this analysis from Energy Division, I think, late Thursday. So we only had it a limited amount of time to look into this.

The issues that we take with this analysis:

One, it seems to imply that the IOUs will have no difficulty in achieving their goals under current -- under current policy. And PG&E definitely takes issue with that, and I think I represent the utilities with that feelings as well.

UNIDENTIFIED SPEAKERS: Can you speak up?

Can't hear you. Speak into the mike.

MR. KESTING: The first issue we have is the application of the '06 to '08 verification report. We recognize that that is inappropriate especially because it doesn't take into account EUL drop-off for measures that were installed in '06 to '08 that will be dropping off by the end of 2011.

I mentioned earlier that this equates to about a 30 percent increase in electrical goal for PG&E and about a 13 percent increase for the therm goal.

COMMISSIONER GRUENEICH: I'm sorry, could I just ask a basic question: What is it that's dropping off?

I mean we install measures. They got installed, but they're no longer at 50 years saving energy, so what is driving that?

MR. KESTING: Any lighting measures, any short-term measures, if they have less than a six-year effective useful life, they will no longer be in place in the market by the end of 2011.

And according to current cumulative rules, we need to -- the utilities are required to replace that, that savings, in order to --

COMMISSIONER GRUENEICH: Right. Yes. And so that's the disagreement, whether they should be required.

Well, but we're not disputing that these lights are burning out after six years.

MR. KESTING: No. We're just pointing out that that was not included in this analysis, and it's a fairly large number, according to PG&E's estimates.

Also, this analysis does not address the uncertainty or the -- well ex post adjustments. We know that DEER will be updated. It's continuously updated. We -- the utilities plan using a certain set of DEER assumptions. And generally when those DEER updates take place, then tend to erode the IOUs' ability to achieve savings, savings towards -- towards goals that were set using different assumptions.

The analysis also doesn't account for the economic downturn. Speaking from PG&E, we -- between the July filing and the March filing, we tried our best to incorporate changes to adjust for the economic downturn, but the economy does continue to change. Any slowdown in construction or retrofits will impact our ability to meet these goals.

And also it don't account for 2009 program slowdown due to bridge period funding. PG&E is underfunded through the bridge period compared to what we have originally asked for and compared to what we filed for 2009 through 2011. In order to be whole, according to our 2009 through -11 filing, we would need another $80 million just for 2009 alone.

The several -- third-party government partnerships have not yet been approved to begin work. And if they are not online by the end of 2009, that will impact our ability to meet the goal.

And so that's just the general overview of the analysis.

I wanted to talk a bit about the interactive effects.

It's unclear to me where this -- the intent of the 20 percent reduction. I assume that the 20 percent reduction is meant to align the goals with the -- with the interactive -- with the effects of interactive effects. If that's the case, it doesn't achieve this end. Because it doesn't account for the effective increase in goals, that EUL drop-off, as I mentioned before, and it also doesn't account for certain measures which are not currently in DEER.

We have been told by folks at the Energy Division that interactive effects would be applied to additional measures as appropriate. That would include measures like consumer electronics, LEDs, anything that saves energy and sufficient space. If we truly believe that these interactive effects have such a large impact, they will also impact any energy savings and sufficient space, not just CFLs.

After the 20 percent reduction, just to put this in perspective, reducing our 2009 through -11 goal by 20 percent and then adding on EUL drop-off and interactive effects, PG&E will still be required to deliver 205 percent of our 2009 through -11 goal. So that is based on what was set, the adopted goal that was set in 2003-2004. From the 2009 through -11 programs adding in EUL drop-off and the interactive effects amounts to a 205 percent goal.

We have -- the IOUs have asked already that the interactive effects be removed from DEER until they can be better understood and adopt and adjusted into the goals, or alternately that the gas goal be reduced by 40 percent for PG&E and 45 percent for SDG&E.

And I know that that sounds like a lot, like a big reduction; but again, 40 percent reduction to our 2009 to '11 goal for PG&E still equates to 185 percent of our goal, of our adopted goal.

ALJ GAMSON: Does that complete your presentation?

MR. KESTING: Yes, yes, I'm done. Thank you very much.

ALJ GAMSON: I actually have a question or two before we move on. And I will allow other people to ask questions and make comments.

First off, it would be helpful if we could get a copy, an official copy, of this presentation. And I'd like to try to get this presentation as well as the others today attached to the transcript for the workshop. So I'd appreciate that very much.

I don't have it in front of me to look at, but I had a question about --

The person who was making that second presentation, if you don't mind coming up to the microphone. The second slide. And could you -- is it possible to put up the second slide?

MR. KESTING: Oh, sorry. Just took it down.

ALJ GAMSON: We'll go off the record.

(Off the record)

ALJ GAMSON: We'll go back on the record.

I just have two questions about the DEER 2008. I believe -- I don't have the documents in front of me, but are you aware -- I think that the Commission has already stated that the DEER 2008 values should be used in this proceeding as the basis for this proceeding.

Do you have knowledge of that?

MS. SAMIULLAH: Yes, I am aware of that.

ALJ GAMSON: Okay. So I just -- I thought that was correct. I just wanted to point that out. So it sounds like the discussion here is the possibility of changing the Commission's decision on that point.

MS. SAMIULLAH: I wanted to bring attention to the fact that the Commission in its previous direction has talked about DEER updates as use of the best available information. So I wanted to bring attention to that fact for this particular proceeding.

ALJ GAMSON: Okay. And then I wanted to just get clarity on if the DEER 2008 values are not included, what would be used instead of that?

MS. SAMIULLAH: My statement was DEER 2008 update should not be used wholesale.

ALJ GAMSON: Therefore?

MS. SAMIULLAH: Therefore, the proposed scenario or proposed values that the IOUs have used are the ones that need to be used in conjunction with the other DEER 2008 values.

ALJ GAMSON: Okay. And I know a lot of this is already in the proposal of the IOUs, but I just wanted to get clarity. That includes some of DEER values for 2008 and --

MS. SAMIULLAH: Only those 2008 -- okay, this -- 2008 DEER update values. When I say wholesale, I'm indicating the values that the IOUs, the joint IOUs, have used for the proposed scenario. Those are the values which are a combination of DEER 2008 and IOU proposed value based on best available --

ALJ GAMSON: Okay. Thank you.

If there's any questions or comments on the presentation here, this is the time.

MR. BACCHUS [telephonically]: Question from the phone.

ALJ GAMSON: Question from the phone.

MR. BACCHUS: This is Rocky Bacchus.

ALJ GAMSON: Let's -- hold on one moment, please.

Sorry. We're just trying to get the microphone correct here.

Okay. Please try again.

MR. BACCHUS: Again, this is Rocky Bacchus.

The presentation is saying that the DEER 2008 were not legitimate. Do both Edison and SDG&E agree with that, and is there a willingness to use the California Energy Commission data for energy savings as an alternate to DEER?

THE REPORTER: I'm sorry, I didn't get the name, your Honor.

ALJ GAMSON: Okay. Could you please --

MS. GEORGE: Rocky Bacchus.

ALJ GAMSON: Rocky Bacchus, B-a-c-c-h-u-s.

MR. WHEELER: Could he repeat the question? It was kind of hard to hear.

ALJ GAMSON: Let's try that one more time, slowly and loudly.

MR. BACCHUS: Do you want me to repeat the question?

MS. GEORGE: Yeah.

MR. BACCHUS: There's two parts.

First is: In saying that we should not legitimize the DEER 2008, does SDG&E and Edison agree with PG&E or is this just PG&E's position?

And the second question: Is there a willingness to use the California Energy Commission analysis of energy savings that they've used for Title 24 as an alternate or a comparison to the DEER numbers, both of which are done on an hour-by-hour analysis basis?

MR. ARAMBULA: This is Don Arambula from Southern California Edison.

Actually, all four utilities use or propose in their applications filed in March 2009 a set of assumption that were based on the latest DEER 2008 updates. However, it noted -- recommended certain key changes to those DEER assumptions that were not based -- we identify those DEER assumptions that were not based on EM&V protocols.

So we're recommending to ignore those and in its place use assumptions that were based on Commission approved EM&V protocols. And that's what all four utilities proposed in their application, and that's what we're proposing as we develop -- we reevaluate the goals.]

The second part, the use of CEC analysis, let me hand it over to somebody who is more technical.

MS. SAMIULLAH: Sorry. I was not paying attention. Could you repeat the question, please, the second part?

MR. BACCHUS: The second question was -- you want me to repeat this again?

MR. KESTING: The second question.

MS. BEST: Regarding the CEC research.

MR. BACCHUS: CEC has had Title 24 analysis of energy savings of various components for many years. Is there a way to use CEC's Title 24 factor [inaudible] six years since it's well vetted and both of them are hour-by-hour analysis.

ALJ GAMSON: Let me -- I think the question is, is there a willingness to use CEC Title 24 based information instead of the DEER information?

MS. SAMIULLAH: No. And the reason for that is the CEC Title 24 based analysis according to my knowledge is based on small case studies. They are not based on empirical data for a wider population, which the EM&V studies are based on.

And for that, another point I wanted to make in this while we are talking about this issue is that you need to realize that the DEER 2008 update, if you take it wholesale, not account for the weaknesses of the data, some parts of the data in the 2008 update, you need to realize that DEER 2008 update doesn't have the same, what do you call, backing as, or you cannot true up that based on empirical data as the EM&V study results are always trued up later on with empirical based data.

So if some estimate is using the year 2008, let's take the case of RULs, Remaining Useful Life, of one third, currently there is no mechanism in place, no process in place to update that data based on empirical studies. Whereas, if you use EM&V study based results, those results get a chance, another chance of being updated empirically.

THE REPORTER: Can you identify yourself for the record, please.

MS. SAMIULLAH: Shahana Samiullah from Southern California Edison.

MS. MITCHELL: Judge Gamson, Cynthia Mitchell, TURN. I believe this discussion or pot-shotting at the DEER data is outside the scope of this workshop on goals. And if we're going to get into this, then TURN requests an opportunity to provide comment and response to the accusations of the weakness of the DEER 2008 data.

ALJ GAMSON: One of the things that I was going to decide at the end of today in consultation with Commissioner Grueneich was whether there's a need for comment on the issues that were brought up today, and I will note your request for comments.

MS. MITCHELL: But also TURN's objection to the pot-shotting at DEER data as part of this goal's proceeding, I didn't believe that that was really brought up by Energy Division in their presentation to begin with as to whether or not the utilities are close to meeting their goals or not.

ALJ GAMSON: Well, I will allow the discussion here today. This is a workshop where the topic in general is goals, should goals be changed. The utility presentation wasn't necessarily per se a rebuttal to the Energy Division presentation. It was just another presentation on goals. So I don't find that this is a problem in terms of the scope of the workshop.

MS. MITCHELL: Thank you.

ALJ GAMSON: Jeanne Clinton from Energy Division.

MS. CLINTON: This is Jeanne Clinton from the Energy Division. I have a follow-up question. It relates to the utilities comments, the ones that were made earlier when Michael Wheeler was doing his presentation. It goes to the issue of cost-effectiveness. Ms. George asked the question whether the budget numbers on the portfolios included estimates of shareholder incentive payments, and the answer was yes.

This is just a simple clarification question. How are those costs reflected in the filings? For example, are they included in your administrative costs, or are they spread uniformly across all aspects of the line items in the budget? How would one determine what amount of incentive payment is assumed to be in the budget?

ALJ GAMSON: We'll go off the record for a moment while the utilities confer.

(Off the record)

ALJ GAMSON: We'll go back on the record.

MR. KESTING: Oliver Kesting, PG&E.

UNIDENTIFIED SPEAKER: Excuse me. This is from the phone. If people on the phone could use their mute button so we don't get a lot of background noise it would be most appreciated.

MR. KESTING: This is Oliver Kesting with PG&E. For PG&E, the budget, the incentive, the shareholder incentive is not included in the budget. It's just factored into the TRC calculation.

ALJ GAMSON: Does that answer your question?

MS. CLINTON: For PG&E.

ALJ GAMSON: For PG&E.

Does any other utility have any comment on that?

MR. ARAMBULA: This is Don Arambula from Southern California Edison. I don't have my number cruncher with me so I don't know exactly how it was incorporated into the analysis, but we can get back to you.

ALJ GAMSON: Okay. There are two other utilities. Anybody care to comment?

MR. MC KINLEY: This is Kevin McKinley from SDG&E/SoCalGas. And we will double-check too. We're sure the numbers are there, but we're not sure if they're in the budget or if they're just added in there. We'll check that also. We'll try and bring it in after lunch?

ALJ GAMSON: If you can that will be helpful.

Ms. George.

MS. GEORGE: I'd like to make a short presentation.

ALJ GAMSON: Okay. Before we get to that, Ms. George would like to make a short presentation, but before we get to that, let's see if there's any other comments or questions on the utility presentation.

MS. FOGEL: Cathleen Fogel with Energy Division. This is a question for Oliver. When Michael was presenting and we were discussing EULs, you mentioned PG&E was assuming a six year EUL, I believe, for CFLs.

MR. KESTING: No, no.

MS. FOGEL: Okay. If you could clarify that, because what you said before sounded to me --

MR. KESTING: To clarify, anything with a six-year EUL or less would impact the 2009 through '11 goal. So CFLs, I don't know the exact number we're using for CFLs, but anything that has a six-year or less will be -- will show up as EUL drop-off in the 2009 through '11 goal. Does that answer your question?

MS. FOGEL: So you're assuming five or six years for CFLs. That's a question. What are you assuming for CFLs?

MR. KESTING: We're using DRA.

MS. SAMIULLAH: 6.35.

MR. KESTING: We're using DRA.

MS. FOGEL: I think it's a relevant question because it is a six-year period, '06 through '011. So for residential CFLs if it's above 6 it wouldn't necessarily show up in that period, but for nonresidential CFLs, which is a much, much smaller part of the portfolio it may show up. So maybe someone can clarify that by the afternoon session?

MR. KESTING: I think Ed can clarify in the back there. He's raising his hand.

MR. MA: This is Ed Ma for PG&E. For our '06 to '07 accomplishments we're using about on average about 2.5 years for a commercial CFL and almost nine-year life for residential CFLs. But what Awa was mentioning, other measures that are dropping off as a result of the measured life includes our refrigeration measures, which has only a four-year life, those strip curtains and refrigerator doors. And we have other measures that are like a night cover for refrigeration for supermarkets have a five-year life. So those are examples of measured lives that will drop off during this goal period that we're talking about within the six years.

MS. FOGEL: So my understanding is that nonresidential CFLs are a very small part of the '06-'08 accomplishments. And I would imagine that strip curtains are slightly higher but not too high. So I guess my question is if you're making the statement that it would affect goals by 30 percent, when could we present this analysis to Energy Division with the actual numbers showing this?

UNIDENTIFIED SPEAKER: It might be worthwhile to have a follow-up.

MR. KESTING: We can have a follow-up workshop. We've got the analysis. It's a lot of data to go into. And I don't have the intimate knowledge. It's Ed Ma's analysis. So we'd be happy to walk you through it with that.

ALJ GAMSON: I'll comment that if we do provide for comments on this workshop, there will be a ruling, and if there's a ruling, it will probably include some questions. So that might be one of the questions.

COMMISSIONER GRUENEICH: I do have a question, which is I'm trying to understand the bottom line of the utilities' presentation, which I think I did see and made a note to the proposal of the change for the gas goals would be for PG&E to drop it 40 percent and SDG&E 45 percent, as I think I read that. And my question then is, what about the electric side? Are the utilities at this stage proposing any specific -- any drop in the capacity or energy goals, and if so, do they have a specific percentage that is being proposed, and if not, is that because you are comfortable with the goals or because you haven't yet quantified it? So if I could have a response on the electric side.

MR. ARAMBULA: Commissioner, what Southern

California Edison is proposing is to use the set of assumptions in our March 2009 filing. We believe we can make it the goals that are currently out there. We didn't look at modifying the other side of the equation, the goals itself. It was really focused on, we were really focused on using the right set of assumptions.

COMMISSIONER GRUENEICH: Just to be clear, we're a Commission with adopted goals, and these goals are obviously feeding into a host of other activities. And so at least from my viewpoint, you know, if any of what the utilities are asking us to do logically fits into change the goals themselves, I certainly am interested in understanding that.

So what you're saying is they wouldn't result in a change in the goals and probably you'd have to work through what that would be? I mean I'm not pushing to have a change in goals, but I want to understand it. And let me also reiterate what I said at the beginning, which is I think the economic downturn, you know, has got to be having some effect on these goals because the goals aren't set on percentages. They're set on absolute numbers. And the discussion we've been having about the DEER update and the assumptions, that's only one aspect. And what I don't want to have happen is we go through everything, we get a decision adopted on the portfolios and then, you know, two months later, one month later, the parties are back in here saying, wait a minute, you know, you didn't think through enough of what could be impacting the goals, what could be impacting the portfolio. So let's, you know, take a another look at it.

And that's really my concern. We're at the right moment in time with the portfolio decision coming up to say, you know, what is it that we've got to have in place to have a sensible approach on this.

MS. RAMAIYA: Shilpa Ramaiya on behalf of PG&E. Commissioner Grueneich makes a good point here. There's a lot of things in the analysis that haven't really been taken into effect, the economic downturn. On another piece of this is if DRA is going to be continually updated, we need to understand we can still make the goals. And also the portfolio measurements, if things in the portfolio and the Commission decides that some measures ought to be pushed more than others, that may also affect our ability to meet the goal.

COMMISSIONER GRUENEICH: Okay. So this is PG&E. My question, I guess, to PG&E is, does PG&E have a specific number change that they are proposing to make on the electric side to the adopted goals?

MS. RAMAIYA: At this point no. There's too much uncertainty. We have to figure out which factors the Commission is going to change. But it's, they're all linked, the portfolio measurements, the DEER updates, and economic downturn. We'll have to figure out how those are decided and then how our goal achievement will be affected.

COMMISSIONER GRUENEICH: I guess SDG&E on the electric side.

MR. RUBIN: This is Rob Rubin for SDG&E. Yes, we have requested a reduction in goals. It was in our previous filing, those numbers. At the beginning this morning Judge Gamson talked about that, how it's gone through the regulatory process. And I don't have a percentage number for you, but there is an actual number in our filing, and I think it's around 25 percent.

COMMISSIONER GRUENEICH: That's the electric side?

MR. RUBIN: Yes.

COMMISSIONER GRUENEICH: Thank you.

ALJ GAMSON: Just to follow up on that, Commissioner Grueneich mentioned the 40 and 45 percent reduction in therm goals for PG&E and SDG&E respectively. Were there other potential reductions in therm goals that were being requested here in the totality of all of the factors that we're talking about, or was that the sum of the request?

MR. RUBIN: Again, Rob Rubin. It is a sum without taking account an economic downturn. We didn't realize that was on a table that could be addressed.

ALJ GAMSON: We'll see.

COMMISSIONER GRUENEICH: It was in somebody's slides from the utilities.

ALJ GAMSON: Okay. All right. Cathy.

MS. FOGEL: Thanks, Judge Gamson. I just wanted to get back to the kilowatt-hour issue briefly. PG&E in responding to Michael Wheeler's slides I think cited mostly EUL issues for this 30 percent claim. Is a 30 percent reduction in utility goal achievement given only EULs also a claim that the other utilities are making with regard to the Energy Division analysis?

MR. MC KINLEY: Kevin McKinley again, San Diego Gas and Electric. We haven't done that analysis yet. So we don't know for sure.

MR. ARAMBULA: Don Arambula, Southern California Edison. Same, we have not done that analysis.

ALJ GAMSON: Okay. I think we're going to have to wrap up this portion before we get to Ms. George's presentation.

Yes.

MS. GEORGE: ALJ, TURN said that the schedule was reordered early.

ALJ GAMSON: Yes.

MS. GEORGE: And I would be glad to give my very brief presentation at the beginning of the afternoon to give them a chance to go next.

ALJ GAMSON: Okay. That's actually very helpful. Thank you.

MS. GEORGE: Okay. Great.

ALJ GAMSON: If there are no more questions or comments in the utilities that are burning at the moment, why don't we go to the TURN presentation, Ms. Mitchell.

We'll go off the record for a moment.

(Off the record)

ALJ GAMSON: We'll go back on the record.

STATEMENT OF MS. MITCHELL

MS. MITCHELL: My name is Cynthia Mitchell, and I'm TURN's consultant on energy efficiency. We're waiting for the technical person to get down and reboot the system with the password, but I'll go ahead and get started.

You should have a handout. There's about 20 of those that are simple PowerPoint and then another attachment which is an excerpt from TURN's comments on the IOUs' March 2nd amended applications. It includes the text of our goals partitioning and savings attribution, as well as what's called Attachment 5, which is the emerging trends in the public private partnership of energy efficiency.

Our presentation today is on goals partitioning and savings attribution. And while I'm up here this is a joint presentation with Cheryl Cox and DRA. TURN and DRA collaborate a great deal on energy efficiency issues. This being no exception, we worked on this concept and idea of goals partitioning and savings attribution for some time now. So I'm hopeful that Cheryl will jump in where needs be.

I wanted to state a couple of off-the-cuff statements before going into our presentation, and the first one being that TURN and DRA are of the position that yes, the goals need to be changed, but they cannot get smaller or be reduced from where they are now. And the reason being, these are very small or relatively small goals in the overall scheme of things as it is already.

When these goals were set back in 2004, it was based on about 65 percent of the incremental load growth forecasted I believe on 2002 data for the electric utilities. And Women Energy Matters points this out in their opening comments that they filed prior to this workshop. What we're talking about is a small reduction in the overall growth of electricity demand for the State of California. And so from that perspective these goals cannot be reduced. They do need to be changed, do need to be adjusted, but it's a relatively small drop in the bucket that we're trying to impact any way.

The other is that to the matter of decay, TURN and DRA would like to clarify that the goals do not decay. There are savings that decay if we focus on short-lived measures, and that distinction has been captured by the California Energy Commission for some time now. We all are familiar with that famous chart of the CEC where they track energy, electricity savings for the state for 30 years. And the utility portion, utility program savings decay over time.

The CEC has gone to elaborate work to build those savings based on utility reported data by specific programs, and they have included EUL or Energy Useful Lives in that data. That's why when you do look at those, that graph which I don't have a copy with me right now, and you see that those savings grow exponentially from about 75 to 88 or 89 and then they just level off, that's because you get into the reoccurring decay associated with the last 20 years of energy efficiency savings in California largely through short-lived measures.

Our presentation today is on goals partitioning and savings attribution. And if you have that handout, we have dubbed that expanding the potential in success for energy efficiency. And TURN and DRA believe that the urgency for economic and environmental energy sustainability requires multiple actors. I believe one of the Commission's or ALJ's most recent ruling referred to the multiple actor characteristic of the work that's ahead of us.

TURN and DRA believe that it's too broad or too large of a responsibility to place this solely on private sector utilities.

ALJ GAMSON: Off the record.

(Off the record)

ALJ GAMSON: On the record again.

MS. MITCHELL: What we're showing here on our first slide is the statewide energy efficiency umbrella, and this expands the potential for cost-effective energy efficiency savings. This is really the direction the Commission has taken the energy efficiency process in the last couple of years, particularly marked by the

CPUC's long-term strategic plan. And here we've illustrated that we have really two components, the strategic planning efforts and the utility programs. And this is specifically from DRA's comments on the utilities' March 2 applications where DRA takes the role in divvying up or allocating the energy efficiency activities where you'd have the strategic planning efforts directed by or driven by Commission policy and then implemented by Energy Division. Here is the components that you'd have. And then the utility programs guided by the market transformation criteria.

This is -- let's see. Let me go to my next slide here. This is very similar to what is the Northwest Energy Efficiency Alliance attribution of savings model. And this has been in TURN comments three or four times now going back to the -- I think it's the 2007 or 2006 comments on modifications to the energy efficiency policy manual.]

But what you see here is that NEEA has been tracking and attributing energy efficiency savings since 1997 by three components. Baseline is ongoing, naturally occurring conversation; local incentives are the utility ratepayer funded programs; and then you have regional market effects. We can see how regional market effects has grown with its contribution over time relative to baseline and utility programming.

This is really similar to the Energy Division Bucket Concept that we had in the goals, 2007 goals proceeding where you had it broken into three buckets of utility programs naturally occurring, and what they call Bucket C, Codes and Standards Savings, and Unrealized Bucket.

This next figure shows the -- this is from Itron goals study, and it shows again how the energy savings based on the current goals, that blue line there, solid line, or the dash line, gross savings, how those could be comprised by really we've got the naturally occurring, the utility programs, and what we were discussing as some of the stated initiatives and the big and bold.

What I wanted to point out here is that -- we have the fluorescent top line that defines upper limit of savings is quite a bit below of what it has been drawn in as economic potential. So when you get out to 2010, you have about 45,000 gigawatt hours of savings, but your economic potential is around 40,000.

That gap is attributable to the way the potentials analysis is currently conducted. It is based on current utility strategies on market strategy and program design. And that is that rebate cash incentive model where at best what we are doing is buying down the incremental costs between standard versus high efficiency.

And how you get yourself into this gap of not being able to deliver energy efficiency of economic potential is because we have different models for funding energy efficiency relative to supply side infrastructure. Your economic potential is really just your avoided cost savings of energy efficiency over time relative to a supply side resource.

But with supply side, we pay for that over time in our monthly utility bills. We finance it all, we capitalize it upfront and then ratepayers pay for it over time. Whereas with initial efficiency, consumers get a small incentive discount, or rebate, but then it is up to them to finance the balance of the energy efficiency over time out of their own pocketbook.

So if we could change the dynamics of market strategy and program design to move outside of the rebate model, I think that we could go make some great strides in solving some of the problems with trying to meet 65 percent of the incremental load growth, which is pretty insignificant at this time.

Back to TURN's proposal for partitioning and the savings attribution, we recommended that you just use those three categories of NEEA beyond going utility and market effects, market transformation.

And that this would recognize, if we looked just at the CFL component, that there has been efficiency gains largely due to past market effects, we call it the Wal-Mart effects, and the utility CFL programs that are now or could now be ongoing natural occurring. And that there is current utility CFL activities and programs that can now be retired and sustained through either utility or Commission-directed initiative. And that there is additional efficiency gains to be achieved through modified or new utility activities that are directed at lighting or other high efficiency equipment and appliances.

What we've done here, this again is in our comment on the '09-'11 market applications, is that we've illustrated this on gigawatt-hours here on the left-hand side and megawatts on the right-hand side and this is working with upstream CFL lighting component. And we've assumed that 20 percent of the CFL or the goals would be declared ongoing, and that is based on the 80 percent net-to-gross factor that was used in the '06-'08 portfolios, and that is largely what was applied to the residential CFL component.

Then the market transformation effects, the black line on top, is also 20 percent. And that represents the update to the net-to-gross factor from '06-'08. It went from 80 percent to 60 percent. So you take that out as achieved, active market effects on an ongoing basis. That would leave the utilities then with 60 percent of the current goals for the '06 or for the '09-'11 portfolio cycle.

So this isn't a reduction in the goals, what this represents is declaration of success. California over the last three years, if not with prior efforts, say through the '04-'05 portfolios, either with utility effects and then also what we call Wal-Mart effect, has been successful in transforming the CFL market, and that it is time to back out a portion of those savings. And we have ballparked that at around 40 percent, and declare victory and proceed with working through the rest of the 60 percent.

Now, there is a static component in this which would be going forward. You would be wanting to roll in more goals or save more goal potential as new end use and key measures open up.

This shows how it would look over time. The blue line being the utilities' programs, then there is the 20 percent or market transformation, then the light blue line at the bottom is 20 percent for baseline ongoing savings.

Couple of slides here.

COMMISSIONER GRUENEICH: I do have one question, because I'm going to have to leave and I want to pose it. And then Judge Gamson, decide if you want to hear from the utilities, comments or how to proceed. I'm unfortunately not going to be able to stay to hear everybody.

But what strikes me is with -- from what I'm understanding, you are saying TURN and DRA's view is in the issue of the CFL to basically say for a number of reasons we are looking at being successful in market transformation. Which if that is the case, let's all give ourselves a pat on the back. We've done something very significant.

But what I think you are saying is that that could then end up in a reduction in the goals in that we are not looking to still achieve some portion of that savings, I think you said 40 percent. What we would then do would to be look at filling in some portion with what we are calling market transformation savings.

But I think I'm also hearing embedded within the discussion of EUL and decay, wait a minute, with the CFLs, because we all know that they are not permanent savings, that when that bulb burns out or the consumer takes it out, you've got to think about what is going in place.

What I'm wondering is am I hearing a difference of turn TURN and DRA saying that actually is not within the purview of the Commission, because we've got the Huffman Bill coming in place, we've got market transformation, we've got people doing it, we've got standards, whatever, whenever the useful life of those bulbs does occur, it is not something that the utility programs need to be taking care of? So I'm wondering if I'm hearing that.

And then sort of the converse is from the utilities am I hearing or should I be thinking about a different perspective? Because it seems to me, maybe I don't want to jump in to what will be other discussions, but there is this issue of we do know that the CFLs do have a useful life. And by CFLs, I should also bring up we heard today other appliances as well.

But when we start to think about this broader area, that even if there is a decay or the useful life ends, that there is an important question for the Commission to address, which is as that is occurring, is it the utility programs that are stepping in place?

Am I understanding part of what you are saying?

And then the other part I want to make sure, since I won't be able to stay, is I am very interested in understanding if the utilities or any other people have a different viewpoint on how this issue should be looked at, because I want to understand all the viewpoints on this issue.

MS. MITCHELL: Commissioner Grueneich, we do have an issue in California of decay with CFLs. And the reason why we got this split into the ongoing baseline and then the larger transformation effects over the balance of '09 through '11, the market transformation effects, we need to actively ensure that as the utility CFL programs pull out or back out, that the private sector, Wal-Mart, Home Depot, Costco, programs move in as they have in other jurisdictions that do not have utility rebates programs to ensure that we have the availability and affordability, comparable level that we have now, and actually boost the quality of the CFLs.

So that when a CFL currently burns out, it is not a bad experience for the consumer, but it is an opportunity for them to get one of those bulbs that is in storage. We have very high storage rate of CFLs currently in California relative to what has been sold and what your team has been able to count out in the field.

We want them to also go back to the store and be able to get another CFL at essentially the same price that they got it initially as a utility discounted rebate CFL, but on Wal-Mart's dollars and on the Costco's dollars and Home Depot's dollars. That is the model that is happening in other parts of the country. That is the exact model that was followed with NEEA in the Pacific Northwest. And they've been able to --

COMMISSIONER GRUENEICH: I'm going to take the prerogative, since I see the microphone has gone to -- take a minute to hear, then I will have to go.

MS. SAMIULLAH: Shahana Samiullah, Southern California Edison.

It seems to me -- I want to comment on Cynthia Mitchell's answer to your question. That as -- first of all, we do have a presentation in the afternoon speaking to the issue about whether CFL market has been transformed, or not. I'm sorry that you are not going to be there.

So Cynthia is saying that if -- as utility programs are going to pull out, we expect that Home Depots, Wal-Mart, we need to have some mechanisms, something to -- in place to make sure that Wal-Mart and Home Depots and of the like are making products available.

Isn't there something that other programs are already doing, making -- by having those upstream lighting programs being out there to make sure that the Wal-Marts and, not the Wal-Marts, but the Home Depots' lights or the Costcos' light are making those kind of products available to the customers.

So it seems to me that we are kind of feeding two things from the same mouth. On the one hand you are saying that we need to pull out, on the other hand you are saying that, well, we need something in there to make sure that CFLs are made available. And that is what exactly the utility programs are striving for.

Cheryl Cox, DRA.

I'll just respond to that and say --

COMMISSINER GRUENEICH: I apologize.

MS. COX: That is okay.

I think that what we are saying is big box stores would take over on their own, they wouldn't be subsidized by ratepayers. But the marketplace would take on a life of its own. We see that as part of market transformation.

MS. MITCHELL: It is not a big, complicated issue. All you do is call Wal-Mart and tell them that you are taking your bulbs off the shelf, and you get back into California market. If -- on our comments, on your application, I think we presented some comments showing that that is exactly what happened in the Northwest.

MS. SAMIULLAH: This is Shahana Samiullah from Southern California Edison.

I want to point out that people and some parties may think that upstream lighting program are simple. They may seem simple, but there is a lot of effort that goes behind the scene, working with the market actors. As you say, we need to work with market actors, we need to have a collaborative effort.

And that is what -- although it may look as simple as getting incentive, but there is a lot of action going on in terms of working with the market actors, working with the manufacturers, working with retailers, working with manufacturers to see where we can improve the quality of CFLs, and working with other parties throughout the nation like CEE, CEC, and other lights.

So there is a lot of collaboration, other parties involved, market actors involved. So please don't take upstream lighting program as simple as an incentive program.

ALJ GAMSON: Okay. Well, now we are going to do something simple, which is we are going to allow Ms. Mitchell to go back to her presentation.

MS. MITCHELL: Thank you. I only have two more slides here.

The last two slides go back to NEEA again. And this shows they are tracking utility investor investments in CFLs and in bulb sales from '97 to 2007, and you see starting that investment with 2 million.

It went up a little bit and then dropped down to slightly below 2 million. And there was a little bit of a jump in CFL sales during the energy crisis. It dropped back down and then it has escalated tremendously from about '04, '06, '07. And it is at this point that NEEA has declared the CFL market sufficiently transformed. And they've been able to determine, based on availability and price, that CFLs are on the shelves, and that they are at close or to equivalent prices when they were discounted by public ratepayer funds.

This is another chart showing for almost 10 years the market transformation effects versus utility program effects that NEEA has been tracking outside of just Energy Star lighting, but also for clothes washers, windows and their super good sense called the Family Health Program.

Cheryl, did you have anything else you wanted to add?

MS. COX: No.

ALJ GAMSON: Thank you very much.

We will take a few minutes here. If there are comments or questions, we will be talking more about upstream CFLs in the afternoon if there are any comments or questions on this presentation, and then we will go to lunch after that.

MS. RAMAIYA: This is Shilpa Ramaiya from PG&E.

I'm trying to understand. Under your

proposal, would the utility not be responsible for those other portions? Is that just assumed that the market would take care of it?

MS. MITCHELL: There is the 20 percent that is already ongoing, or baseline, and that was based on the 80 percent net-to-gross ratio that was used for '06-'08. I believe that that is a naturally occurring, ongoing that is taking care of. You need to work though with the other 20 percent to ensure that the big box, home improvement stores pick up -- move into that CFL market as well.

There is also a role for you to play with upstream CFLs in regard to the smaller niche hard-to-reach markets with the grocery stores and drugstores, and such.

And all the utilities are working in that area, particularly Edison is doing a lot of work in that area.

Then of course there is still a role in upstream manufacturer buydown with all of the specialty lighting on CFLs as well as other high efficiency lighting and other high efficiency appliances and equipment outside of lighting.

MS. RAMAIYA: So if my understanding is correct, we would still then be responsible for 80 percent?

MS. MITCHELL: Right, recognizing that a portion of that you are actively transferring out of, and that you would be out of that market of the standard CFLs, or traditional small, medium sized currently available by the end of this portfolio cycle. There is always going to be room in your energy efficiency efforts to either hand out CFLs for free, or to go in and install them in some directly installed, hard-to-reach application, et cetera. It would no longer be, say, 30 to 40 percent of projected saving in the '06-'07 portfolio cycle, 60 to 70 percent reported accomplishments.

MS. RAMAIYA: I won't dispute those, because I don't have it at hand here. I won't dispute your proposal. Thanks.

MS. GEORGE: Hi, Barbara George, Women's Energy Matters.

I was looking through some of the discussion a year ago on the Itron potential study. And one thing that I noticed was that during the workshop there was a discussion about the fact that short-lived measures -- the Itron study assumed short-lived measures replaced by the customers without further intervention by the IUOs. I want to remind everybody that that study was commissioned by the utilities. And so they wanted, you know, this apparently was something that the utilities agreed with.

I wanted to note that the Commission had earlier expressed policies that stated very specifically that CFLs would not -- we would not assume that they would be replaced by the customer. And so now it is interesting that you are arguing that the utilities are needed when in fact the Itron report said that they wouldn't be needed. And your earlier efforts that were contradicted by the Commission, you said that the customer would take care of that themselves, the utilities would not be involved. So I just wanted to point out that is a bit of a discrepancy. Maybe your position has changed since then.

But I also do want to remind everybody that since the Itron study did assume that the short-lived measures would be replaced by the customer, that would throw the potential off in that study. Unless they in fact are replaced by some mechanism, like what Cynthia is discussing, which is happening in other states where basically the market is taking over and they don't need the IOU intervention anymore.

Does that make sense to anybody? I talked about this a year ago.

ALJ GAMSON: You have a response? I think there may have been a question in there. I think there were a couple of questions in there. Do you have any response?

MS. MITCHELL: No, just that I know what Barbara is talking about. I agree it does put some contradiction on this table right now.

ALJ GAMSON: Thank you.

MS. GEORGE: Actually, I would be interested in the current programs, what assumption are you making in current programs? Are you assuming that they will be replaced? Do your cumulative goals assume that customers will replace the CFLs without any intervention by the utilities? Or that your programs would have to be continued and that you won't look at one CFL?

Basically, the Commission said we are only going to count one CFL, the one that you put the rebate on, or that you give the upstream incentives to. So what is in the portfolios now?

ALJ GAMSON: Go ahead.

MR. TOTH: My name is Phil Toth with Southern California Edison.

If you would please bring up Figure 3, I think it is like Slide 3. Slide 5, I see it on the side there.

This slide says a ton. The first thing I want to point out, the top line, economic potential, that is not wholly achievable by voluntary programs. We could achieve a good portion of that, but it should not be viewed as an upper bound of what is achievable through voluntary energy efficiency, what is in the IOUs or what is outside the IOUs.

The second point is the IOU programs on the bottom, and you will see somewhere around, I can't see it on the wall, 20 at 13, you see it to start to level off. There is a few things going on there. It is a little complex, I'll try to articulate. There is a replacement as measures burn out. And as they are replaced, some measures go through a decision process whether they are replaced in kind, replaced with a lower efficiency or to replace with higher efficiency. That goes into part of that. Another part of that level off is the effects of the three lines above it, which are the big bill initiatives, codes and standards and the Huffman Bill.

As the potential, say the 2008 update, which this is based on, as those three different colored areas above the IOU program come in and start taking the potential, they come out of the IOU programs as presented here.

So part of it is the decay, part of it is because of customer choice. And another big part of it is market saturations. As measures get adopted into the market, they are not available to get adopted again until they burn out. So as saturations take effect, you are going to see the effect that you see here. So I just wanted to throw that in, because it is really not as simple as it looks.

There is another factor called auto rep in the EE potential study. In all industrial measures in the EE potential study, it assumes auto replacement. That is part of that as well.

So, anyway, the point being made, there is a lot of other things involved instead of just decay in there.

MS. MITCHELL: I agree completely.

MS. GEORGE: I'm not sure I heard the answer to my question, though. You have assumed that they will automatically be replaced without any IOU intervention?

MR. TOTH: Sorry, I had to check to make sure what I was going to say was correct.

Residential and commercial CFLs are assumed auto replaced. In the cumulative chart that you see here, it is assumed that it is not part of the potential in the cumulative part.

MS. GEORGE: Are you talking about the potentials? Are you talking about in the potential study or are you talking in your program?

MR. TOTH: I'm talking about this chart right here which is based on the potential study.

MS. GEORGE: Yeah, that is their study. I asked you whether your portfolios are assuming auto replacement?

MS. RAMAIYA: So I can speak for PG&E's, this is Shilpa Ramaiya. I can speak for PG&E's '09-'11 portfolio.

We have not assumed auto replacement for the '09-'11 period. As Phil mentioned, auto replacement was in regard to the industrial measures. We have not assumed that for '09-'11, since no industrial measures would die out during that period.

ALJ GAMSON: Mr. Burt, you had a question?

MR. BURT: I had a very brief comment.

The problem with both replacement and market confirmation for CFLs, there are two giant hurdles.

First, 100 percent of the female population thinks that light makes them look ghastly.]

Second, the fact that it has mercury in it means that breakage and/or proper disposal create problems for any environmentally conscientious person. And both of those are not going to go away with the current makeup of CFLs.

So I think that to assume that we're going to get anything close to either replacement and/or market transformation in CFLs is a giant assumption.

In my house, the only CFLs are in my study. And any man that claims he's the boss at home will lie about other things.

(Laughter)

ALJ GAMSON: Okay. Any other comments or questions on the current presentation?

(No response)

ALJ GAMSON: Is there anybody on the phone who wanted to make a comment or question?

(No response)

MS. GEORGE: Well, actually I do have one other comment. I don't want to, you know, hog the time, but would somebody please give me a definition of "naturally occurring"?

Now on that chart, it looks like naturally occurring is part of IOU programs. So would that be the the net-to-gross free riders; is that what naturally occurring means?

And would that be the same meaning as it is on your Energy Division bucket chart? Are those -- are those free riders naturally occurring or are free riders something that happens totally outside of the program?

UNIDENTIFIED SPEAKER: I'm going to ask that question or --

MS. MITCHELL: Well, it's my presentation. Thanks.

You do get to have time this afternoon. I'd rather having someone like Mr. Ruffo answer that to clearly establish what's the naturally occurring portion that's embedded or shown here with the utility programs.

My understanding is that that -- or my definition of that or what we used in our partitioning is that that is ongoing energy efficiency conservation that has been occurring outside of utility programs.

ALJ GAMSON: Thank you.

Is there somebody in Energy Division or a consultant to the Commission who can reason to that question?

Please.

MR. RUFFO: Yeah, this is Mike Ruffo from ITRON.

Yeah, the naturally occurring is really just a forecast of adoptions that are projected to occur outside of the program without any further program intervention. So it really can be both of those entities.

It can be free riders, and that all depends on what's times zero 1975? 1950? 1990? 2000? Right, what's a free rider? How do you define that from a timing point of view versus a market effect?

So it's someone who's going to adopt anyway. Some of those people might have adopted without programs ever. Some of those people may have been encouraged. The probability of adoption may have been increased by the last three years of programs, five years of programs, ten years of programs. So it's all of those folks, and it's highly uncertain. That's why it's a dashed line. And it could be much different than any line that you see up there as a single scenario.

ALJ GAMSON: Okay. That's a response to that question.

Other questions?

MS. GEORGE: Well, the reason that I want to know this is the -- Cynthia, in your presentation -- maybe this is something from Energy Division -- it says this figure is the conceptual framework of the goal, of the goals.

Now I thought that the goals are -- I guess what you're saying is some of the goals now include codes and standards and naturally occurring.

I thought that one of the things that we were trying to do with the goals was to divide out the impacts from the Energy Commission programs. I mean that was a big discussion in the procurement proceeding, is what is it that comes out of those codes and standards programs and how can we set a number on that, and then how much is coming out of the utilities' and other parties' energy efficiency programs and what is that number. And then you'd have your naturally occurring savings, which is also something that the Energy Commission's reports also describe.

So my understanding is that our goals here are just the savings from the IOU programs. They're not including any of those others things today.

And so to reduce the goals based on -- it sounds like what you're saying is, okay, well, just -- we'll just make the utilities responsible for 60 percent, which is all they're getting anyway, so maybe that makes sense.

But the -- essentially, I think that we already have divided them up, and the current goals that are coming out of those proceedings are just for utility programs.

So that's -- you know, what are you proposing? Are you proposing to reduce the goals for utilities to meet; is that the idea?

MS. MITCHELL: I don't want to go back over my presentation, so I'll just say no. We are not proposing to reduce the goals in total.

What we're proposing to do is to recognize that we have achieved a large chunk of the goals through successful utility- and market-driven CFL programs and that it's time to back those savings out of -- or that portion of the goals out of active goals and count those as saved, make sure that we lock those in through good exit strategies, and get on with saving the other end uses and key measures that comprise the rest of the goals.

ALJ GAMSON: Okay. I'm going give Michael Wheeler the last word here before lunch.

MR. WHEELER: So I just wanted to clarify that the chart that we were looking at here, the buckets concept, it was taken from the Goals Update Study to represent our goal of the 2012 to 2020 goals framework but not the 2009 through -11 goals framework. So to the extent that Cynthia is referring to the 2009 through -11 framework, we do not currently count in savings from codes and standards as a part of that except through the utilities' codes programs.

ALJ GAMSON: Okay.

MS. GEORGE: And that would be -- same would be true for the 2004 goals that the -- for the current -- the ones that are currently in effect, because we -- I mean we always have those three things operating. And so it's important to know where we are, you know, what we're doing today. You know, we can talk about how one thing changes in the future, but we need to know what we're doing -- what are we doing today. I mean it seems like --

MR. WHEELER: Right now we have Bucket A and Bucket B.

MS. GEORGE: Well, what we're looking at -- I'm sorry. At the workshop today, we're looking at all of the -- I thought we were looking at goals as a -- you know, like trying to understand better what we are talking about in terms of goals.

But I'm just saying in what is in effect today in the goals that are coming out of the -- you know, originally in 2004 and then they grossed in 2008, we still have these three elements in, you know, in the picture.

But my understanding is that only this blue element, that the number we talk about when we talk about goals is that blue number, not the rest of it. Because we would take out the green for the naturally occurring savings. That would be what comes out with net to gross.

And, you know, and we're saying that the utilities are not -- you know, I mean there was a question about how much utilities were going to get credit from the savings from posing standards. But I think one of the questions that we need to address here, because in procurement it completely threw them out of whack, and they said we can only count 20 percent of the goals that you're giving us from energy efficiency proceedings because we have this big chunk of codes and standards that the CEC says are -- and the ITRON study said are about the same size as the IOU programs. And they exist completely separately from the IOU programs.

So I think we need to understand here what our position is on that issue so that we can communicate that to the procurement side.

MR. WHEELER: I would say that procurement energy efficiency are working very closely together with Energy Commission on the load-forecasting issues in determining what percent of our goals are already embedded in the load forecast.

MS. GEORGE: And that's a study that's coming -- going to be --

MR. WHEELER: The public workshops, there's actually one this -- on this Thursday. That's right, the 21st. It's been noticed. Everyone is welcome.

ALJ GAMSON: All right. Thank you.

We're going to take a break until 1:30.

Thank you.

Off the record.

(Whereupon, at the hour of 12:30 p.m., a recess was taken until 1:30 p.m.)

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AFTERNOON SESSION - 1:35 P.M.

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ALJ GAMSON: On the record.

The first thing we are going to do this afternoon is Barbara George would like to make a presentation, and then we will have some questions and responses to that presentation.

So, Ms. George.

MS. GEORGE: Good afternoon. My name is Barbara George.

ALJ GAMSON: Microphone. Microphone.

MS. GEORGE: There. Okay.

I don't have a PowerPoint, but I do have some handouts for you. And Darlicia will be passing those around.

And Darlicia, do you have a solar water heater proposal? That's the other thing I wanted. Great. Okay.

I wanted to make this ten minutes, and then I will handle for questions.

The -- we sent out a pre-workshop comment, and some of the ideas that I want to present here are outlined in that. And then there are also issues that we raised about a year ago in March and June, comment on goals in 2008. And some of the things that we raised in that comment would solve some of the problems that are at issue here today. And so I want to encourage everyone to look at that, at the possibilities that we pointed out, as well as in our more recent comment on the utility portfolios.

And speaking of the utility portfolios, I think since we're talking about the strategic plan activities in addition to everything that utilities are doing, there's things that local governments are doing on their own, not necessarily even in the partnerships, but probably with federal stimulus money or other funds. And then of course we've got codes and standards, and we've got all these other entities that the Commission is encouraging to be involved in energy efficiency. So I think it would be very useful to start talking about California's energy efficiency programs instead of just calling them IOU programs and that as a subset of the California Energy Efficiency Program, we would have the particular programs that the utilities will be operating.

So as our comments pointed out, the International Panel on Climate Change -- Intergovernmental Panel, sorry, on Climate Change are telling us that we need 70 percent reduction in greenhouse gas emissions. And now there's an emergency report that said that we need to do that in ten years. We need to get that going; otherwise, we face irreversible climate chaos.

And so as the energy efficiency programs of California, one of the leading energy efficiency proponents in the California, I think it behooves us to take a look at that goal that the IGCC set out for us of 70 percent reductions and to understand that we are at the front lines. I mean the energy efficiency programs are where a lot of this work needs to be done.

So we have certainly asked the Commission to keep the goals as they are and not reduce the goals. And we have a couple of proposals for how the goals can be met very nicely even in compliant portfolios. So I'll get to that in second.

I also wanted to say initially this morning when I got here I thought, well, where's ISO? Where is the Independent System Operator and where are the procurement planners?

Because when we're talking about goals, over in the procurement proceeding, the procurement planners were completely confused about what we were doing over here in energy efficiency. And they basically only credited 20 percent of the goals for the next few years as actually available resources to be able to defer or displace supply-side resources.

And I think in view of the conversation this morning, it would really be helpful if we start to think about what we do as being something that's needed to actually keep the lights on just the same as power plants, because that's basically what will happen over in procurement.

Once they start crediting us with 100 percent of the goals, they're going to want to know that those numbers are, you know, something that they can rely on, and that the resources will be there when they're needed.

So I think that we have to be really rigorous about what -- you know, what is in our goals, are we sure that we can define what those numbers are and understand what our part is, and that we will meet that.

So when we talk about the interactive effects, this has been a big issue. I think that interactive effects should be used.

And of course on the procurement -- on the electricity side, they're an advantage. I mean you've got some free electricity savings right there with -- you know, when you reduce the heat in the summer peak.

Now if you talk about gas savings, that's where the problem seems to come in. However, WEM filed comments to the Energy Commission in 2005 on solar water heaters. And if you had a strong solar water heater program in California, we could actually save 10 percent of the gas that we use in California. The entire amount of gas could be reduced by 10 percent.

And I don't have the greenhouse gas numbers for that, but obviously it's rather large. And right now solar water heaters are very cost-effective. We've got federal tax credits for them.

And if anybody is still thinks that the last round of solar water heaters in California is, you know, still going to be a problem, we can address that with good and -- you know, good standards. And we can go along with, you know, like several countries that require solar water heaters. I think California should definitely be able to do solar water heaters the same as Israel and Columbia and Jordan, whole countries. They require it, and they're required to use solar water heaters for only a thousand dollars. Ours are about 2,500, 3,000.

I also think that on the electricity side, this upstream air-conditioning proposal that Mr. Bacchus has put forward is an excellent, kind of a mind-blowing huge program that can make a big difference. WEM recommended to fund that out of procurement funds, not energy efficiency funds. Otherwise, our fund would be totally gone. But that has such a huge impact on peak savings.

Oh, and by the way, as far as funding out of procurement, Marin Energy Authority, the CCA program in Marin, just released their request for proposals. And they are -- it is possible now to bid energy efficiency into procurement in Marin. And we look forward to that being possible statewide.

One thing that I wanted to draw to everyone's attention to is that in the past, peak savings were calculated as just a percentage, usually about 25 percent, of the megawatt-hour savings. And that amount -- you know, that number is not very -- it's not very well -- we don't really know whether that peak number is actually going to be met by the actual measures that are in place.

And one of the things that I really hope is going to be happening this year is that we actually calculate the peak savings of the specific measures that we're using and not just assume that this is only 25 percent, you know, give or take a whole lot of questionable numbers.

Another thing that I wanted to point out is that, according to the original reports PG&E filed, the savings that were achieved, apparently most of those savings were achieved in 2008 because there was only 12 percent of the funds were spent in 2006 and 2007.

So I just wanted to encourage us to realize that that could be very positive because it might mean that PG&E could achieve their entire savings in only one year. And so that would mean that we can get to the goals a lot faster than what we are currently assuming.

Another issue that we raised in our pre-workshop comment was the need to sort out the federal stimulus programs from the other energy efficiency programs so that we know what goals are being met by the energy efficiency programs as currently configured and what would be added by the federal stimulus program, so that we would set the overall California goal that much higher because we will have all that extra federal stimulus money that we can work with.

And we are also proposing that goals be set in a more finely grained manner so that there would be a statewide goal, which would be your one -- you know, one number statewide and then for each utility territory, but within that territory there would be a specific goal set for a local government program, because local governments are going to be running partnership programs in it as well as federal programs, which are separate from the other energy efficiency programs. And it would be very helpful for those local governments to have a specific goal that they should meet.

I'm sure the three utilities have given them goals for numbers that they have to meet. I'm not sure -- and maybe that someone can address this point. Are you looking at that on a -- you know, actually looking at the specific city?

Obviously, a San Francisco program is going to have a very different measurement than a program in the Central Valley. And of course we also have winter peaks, evening peaks, as well as summer peaks. California is not a, you know, one-size-fits-all state by any means.

And so I think it would be very useful for us to divide that up into the territories where we know there will be major market actors from the -- you know, that are encouraged to be involved in the strategic plan and to give everyone a really good idea of what -- what the applications are that the state is -- you know, what the state is asking them to do.

So that is essentially my prepared remarks, and I would like to answer any questions.

Yes, Chonda.

ALJ GAMSON: Let's make sure we do the microphone.

MS. NWAMU: Hi. Chonda Nwamu with PG&E.

I just want to point out one inaccuracy regarding PG&E. I believe you stated that PG&E for the '06 to '08 period spent 12 percent of its budget in '06-'07 and the remainder in 2008. And that's not accurate.

So I just didn't want to let that stay on the record.

MS. GEORGE: I wondered about that. You know, I was looking at your fourth quarter report on 2007 fourth quarter that you posted on the Web site. And that's where I got that number of 12 percent.

So you're saying that that's actually -- that that report has been revised or there is new information, that those are not the correct numbers?

MS. NWAMU: I don't have the report in front of me, so I would need to look at that.

But what I'm saying is that that number is not correct. I didn't think that's what's was reported in our 2007 fourth quarter report. We'll need to check on that.

MS. GEORGE: Well, I was quite stunned when I saw that number. I know there's a lot of -- you know, a lot of contracts were not signed, and then there was a discussion about what the measure of mixes would be.

So I -- you know, I just took it at face value. Those were your numbers from your report that were posted. And maybe I -- you know, maybe I misread something, but that's the number that I thought was there.

And then there was another issue about those programs which I also wanted to raise, and I'm sorry I didn't put it in the presentation. But the 13 percent is -- the last round of programs only had 13 percent for residential energy efficiency.

Current -- currently, PG&E's residential energy efficiency programs are only 19 percent of the portfolio. And I think that's really undercounting the potential in the residential area.

And overall, as far as potential is concerned, I think that there's two ways to look at potential. I think studies have a tremendous value, but you can also put money on the table and see who steps up.

You can get a market approach for determining your potential and, you know, like who wants to try to get so much savings per per dollar. That's the standard offer program that I know everybody has heard about for years. And I'd just encourage you to take a look at what the potential for the potential is in the standard offer programs, because in Texas of course they did save

40 percent more energy per dollar with no CFLs. There were no CFLs in that program, and they were primarily residential programs.

And so that's something California has had trouble doing, saving a lot of energy in residential programs. And one way that we can find out if we can grow that potential or meet what we think might be out there would be to put the dollars on the table and invite the contractor community from around the country and local contractors to give it a try. See what they can do.

And I also wanted to put out the whole house method of energy savings, which was -- Don Wood from San Diego Gas & Electric reminded me that that was a proposal that -- you know, a program that he put together in the low-income area. And that's been missing in our energy efficiency programs, which is pretty much concentrated on CFLs and the residential sector and didn't address all of the other things that we could do in a given -- in a given setting.

And my energy efficiency consultant basically said your first measure that you do in any house is going to be your most expensive one because what costs money is bringing the people and the materials into the house. And whatever you can do once you're there is gravy, as far as your contractor is concerned and as far as the energy savings are concerned. And that's one of the reasons why the standard offer program is very comprehensive and very, very effective.]

Any other questions?

ALJ GAMSON: Okay.

MS. GEORGE: How many people here think that we can meet the intergovernmental panel on climate change challenge for 70 percent reduction?

ALJ GAMSON: Okay. Well, I think that there -- it doesn't sound like there's any more questions or comments. Are there any questions or comments from the phone?

(No response)

ALJ GAMSON: Okay. Well, thank you very much for your presentation. Appreciate it.

MS. GEORGE: Thanks.

ALJ GAMSON: And next we're going to have Peter Lai from Energy Division. He's going to talk about 2008 DEER estimates for the 2002 secret surplus study.

Go off the record.

(Off the record)

ALJ GAMSON: Back on the record.

STATEMENT OF MR. LAI

MR. LAI: Good afternoon. My name is Peter Lai. I'm with Energy Division.

ALJ GAMSON: I think you need the microphone.

MR. LAI: Is this better? Again, my name is Peter Lai. I'm with Energy Division. In the interests of time I'd like to ask every one to please hold on to your questions and any eggs and tomatoes you might have until the end of the presentation.

Energy Division, we took a time travel. We took a little trip back in time, and taking with us, we brought our 2008 DEER update numbers for a couple of the lighting measures, basically the alternative CFL and many of the fluorescent. And we took also with us our net to gross numbers. And we wanted to see what happens if we could take that back to 2002 when the folks worked on the secret surplus then.

Since you all have handouts, I'm going to move to the slides a little quickly here. What we wanted to do was to take the gross savings from these CFLs and linear fluorescents from here and the net to gross numbers from here and apply it to the secret surplus study and see how the adjusted numbers line up when compared to itself, the original secret surplus study, and then how the numbers compare when we look at the target savings number that was adopted in the 2004 goals decision.

Going to move to this slide very quickly. It's just, if you have it in front of you, just numbers as a result of our adjustments, but the following slide on page 5 is what's pretty interesting. When we compare the original 2002 secret surplus study with the adjusted based on DEER update, we see that there's some changes to the adjusted numbers are a little bit lower percentage wise compared to the original study when you look at both for the '09 to '11 cycle to the '06 to '11 cumulative. And I want to kind of describe each of the tables real quick.

The first table is the numbers based on the original 2002 secret surplus study. The second table here is when we compare it to the adjusted net numbers. And the third table is when we adjust it to the gross numbers in secret surplus. In the last table we play with it a little bit, and we use the '04 to '08 net numbers and use the '09 to '11 gross numbers. And we wanted to see how it kind of plays out. So as you can see, you know, the numbers move back.

So here is our numbers compared to the '04 goals to the secret surplus. And there's just some numbers. Let's go to the next slide where it's more interesting. Slide 7 is, if you look at the very top table, the '04 goal is of a percent of the original 2002 secret surplus study. You see the goals for the '09-'11 cycle and the '06 through '11 cycle kind of following the 70 to 80, 85 maybe percent range. So once we adjusted the numbers, now if you compare the '04 goals to the adjusted secret surplus net numbers, we see that the goals are now over a hundred percent of the secret surplus adjusted based on here.

And if we go down to the next table, you see the '04 goals are now, compared to the gross adjusted secret surplus, they're back down kind of to the 80 percent, 70 percent level of comparing it to the unadjusted original. And if we move down to the scenario where we compare the net '04 to '08 and gross '09 to '11, we see the goals are again a little higher than what was originally envisioned, 80 percent, 70, 80 percent levels.

So the next slide is interactive effect. Basically what we did was we took the -- one caveat is the secret surplus study does not include therm savings. So we took the DEER numbers and applied it to the secret surplus study to get a ratio of what the, you know, energy saving would be and therefore the therms impact. And then we applied the therm impact to the '04 adopted goals for therm. And we see that when we're comparing the net adjustment, we see that the therms goals, the impact is 23 percent of the '04 goals for '09 to '11 and 35 percent of '09 to -- of '06 to '11 cumulative. And the bottom table where we looked at the mix of '04 to '08 net and '09 to '11 gross, we see that the impact is the therms hit is 40 percent, 43 percent of the goals. So I think --

ALJ GAMSON: Peter, let me ask a question.

MR. LAI: Yes.

ALJ GAMSON: I get lost on numbers sometimes. This is why Energy Division is extremely helpful. So try to help me out in front of everybody and make me look less stupid than I really am.

What is the implication of this study? Is it that the current goals should be reduced or increased, and which of these various lines is the best recommendation for that?

MR. LAI: Your Honor, I don't think I'm in a position to answer that except to say that based on our field trip back in time, we feel that the secret surplus study when adjusted for the DEER 2008, the adopted goals for 2004 no longer match up, that the original what I believe to be the envision of the goals to be 70 to 85 percent of the potential, when we look at it applying the DEER update, that vision no longer matches.

ALJ GAMSON: And in which direction does it not match?

MR. LAI: It matches in a direction where the goals are of a higher percentage than compared to the older, than the original secret surplus study.

ALJ GAMSON: And to adjust back to what was originally considered to be appropriate, would you adjust the current goals down or up to get to that?

MR. LAI: I would --

ALJ GAMSON: It's okay, Peter. Whatever you have to say is fine.

(Laughter)

MR. LAI: I think my opinion would be that we would adjust the goals to align with perhaps the original vision if that was the intent to cover 70 to 85 percent of the potential.

ALJ GAMSON: Okay. Am I not getting an answer?

UNIDENTIFIED SPEAKER: No. You're almost there.

ALJ GAMSON: I'm almost there. So in order to align with the original vision, are you saying that, assuming everything else is, you know, that that's all we're doing right now is aligning back with the original vision from 2002, would you be lowering or raising current goals?

MR. LAI: It appears that the goal might be lowered a little bit.

ALJ GAMSON: Might be lowered a little bit. Okay. And which -- and take any of these charts that you have, which of these lines, you've got several, several different lines, which of those would best make that particular adjustment? Which line shows up as?

MR. LAI: I believe the bottom line --

ALJ GAMSON: Your opinion.

MR. LAI: I believe the bottom line might show that best.

ALJ GAMSON: Okay. So let's take -- let's take not this slide but let's take a different slide. Let's take the --

MR. LAI: The slide on page 7.

ALJ GAMSON: Which one is that? This one here.

MR. LAI: Slide 7.

ALJ GAMSON: Megawatts, right? Gigawatt-hours and megawatts, right?

MR. LAI: Yes.

ALJ GAMSON: Okay. So therefore, which of those, which specific little corner of that would represent the changing goals that would be consistent with the line leading back to 2002?

MR. LAI: I would believe the bottom table where we're playing with the secret surplus study to use net numbers for '04 to '08 and then gross numbers for '09 to '11.

ALJ GAMSON: Okay. So does that imply, for example, a 14 percent reduction in gigawatt-hour and a 16 percent reduction in megawatts?

ALJ GAMSON: For '09-'11?

MR. LAI: For '09-'11. Right here.

ALJ GAMSON: Yeah. That one.

MR. LAI: It looks like to me that we would want these numbers to look a little more like these numbers if the Commission so desires.

ALJ GAMSON: Okay. So it's comparison of the bottom line to the top line, right?

MR. LAI: Right.

ALJ GAMSON: So in other words, 86 to 82 and 84 to 83?

MR. LAI: Yes.

ALJ GAMSON: Okay. That's not a big change in that particular area, those two particular boxes, right?

MR. LAI: Right.

ALJ GAMSON: It's a very small change, but the cumulative is a little bit bigger.

MR. LAI: That's right.

ALJ GAMSON: So that would imply, and tell me if I'm looking at this correctly, it would imply a very small adjustment for gigawatt-hour megawatt goals for 2009 to 2011 and something like a 20 percent reduction for gigawatt-hours for cumulative and something like a, I don't know, 15 percent reduction for megawatts per cumulative, right?

MR. LAI: Could be, yes.

ALJ GAMSON: Could be.

MR. LAI: Just based on CFL and linear fluorescents.

ALJ GAMSON: Okay. Good. I'm just trying to make sure I understand what you're saying. It's very helpful.

Okay. I'm sure there are other questions out there or comments. Anybody?

MR. MC NULTY: Can we ask a question?

ALJ GAMSON: Yes, telephone person. Identify yourself, please.

MR. MC NULTY: This is Mark McNulty. My question for Peter is, I must have missed something at the beginning. Your analysis just includes the CFLs and linear fixtures?

MR. LAI: Yes, Mark, that's correct.

MR. MC NULTY: So it's not like refrigerator recycling or other measures?

MR. LAI: No, it does not include.

MR. MC NULTY: So it's just a linear picture?

MR. LAI: And CFLs.

MR. MC NULTY: And CFLs. Thank you.

MS. RAMAIYA: Shilpa Ramaiya, PG&E. Peter, can you back up to Slide 5? I'm just trying to understand what the percentage changes is. If you could just take me through it a little slower, slower again. Sorry.

MR. LAI: Okay. Sure. This slide is comparing the original secret surplus number to the adjusted secret surplus number after we apply the 2008 DEER.

UNIDENTIFIED SPEAKER: Peter, you might want to go use an example and go through a few of those.

MR. LAI: Sure. Let me go back to Slide 4. So Slide 4, if we look at the gigawatt-hours and megawatt hours for '09 to '11, the original secret surplus net unadjusted number is right here. Then after we make the adjustments for the DEER, this is the adjusted secret surplus numbers for '09 through '11.

MS. MITCHELL: So that's net unadjusted. Peter, this is Cynthia Mitchell with TURN. And then below that, do you have the same analysis or not on a gross adjusted, the 87?

MR. LAI: The 87, we're comparing the gross adjusted number to the secret surplus number.

MS. MITCHELL: Adjusted.

MR. LAI: Adjusted.

MS. BEST: Question.

MR. KESTING: Oliver Kesting, PG&E. I'm just looking at Slide 8, and I'm trying to understand the negative number under '09 to '11 cumulative '06 to '11. The bottom, go down a little bit more there. The 118.6

negative number, what does that represent?

MR. LAI: That represents the impact if we use net values for '04 through '08 and then gross values for '09 to '11, because now we're calling the '09, you know, we're using the '09 to '11, we're using gross accomplishments.

MR. KESTING: This is the impact on the accomplishments or the impact on the goal?

MR. LAI: This is the impact of the negative therms compared to the goal as a percent of the goals. So the negative therm impact is minus 118, you know, and then that number is 43 percent of the '04 goal.

MR. KESTING: So it essentially doubles the goal?

MR. LAI: You know, the impact covers 43 percent of the goals.

MS. RAMAIYA: So the goal should be 57 percent of what it is now? The gas goal, is that for '06-'11 cumulative, right? Is that how I should do the math?

MR. LAI: It's, the goals is 274 and you minus 118. That's, if you subtract out the therms impact, that's what --

MR. KESTING: So earlier today I had mentioned that adding in EUL and interactive essentially doubles the goal for PG&E. So I'm seeing here that this is confirming that from your perspective as well.

MR. LAI: If we're playing with the secret surplus number.

ALJ GAMSON: Peter, let me just clarify that point. Is it confirming what was said earlier, or is it getting to similar numbers in a different way?

MR. LAI: I think we did our analysis one way, and I believe the utilities used another analysis, which I think I have a feeling what they did from my no CFL, or no CFL analysis, which I think I can guess how they got their numbers.

ALJ GAMSON: So does that mean that you're both taking two routes to the same end, or is it just that you're arriving at similar numbers for unrelated reasons?

(Laughter)

MR. LAI: It seems like we're getting up to the same point different ways. We got here playing with the secret surplus numbers and, you know, taking the therm impact of, you know, what the secret surplus -- I'm sorry -- secret surplus energy savings and applying the therms impact to that number to get to where we are here. Does that make sense?

ALJ GAMSON: Sort of. I wouldn't mind hearing somebody else ask a couple of questions.

MS. MITCHELL: Peter, Cynthia Mitchell for TURN. If you could go back to the slide of the results of the secret surplus 2002 adjustments. I think it's your first numeric slide. So if we'd look at the second to the last column on the right, that's the '06-'11 cumulative.

MR. LAI: Right.

MS. MITCHELL: So when you go from 20,000 gigawatt-hours down to 13,000 gigawatt-hours, that difference is 7,000 that you propose adjustment in gigawatt-hours?

MR. LAI: No. Actually, I'm not proposing anything. I'm just presenting some numbers for you folks to talk about.

MS. MITCHELL: So that's your presentation?

MR. LAI: Yes.

MS. MITCHELL: Okay. That 7,000 reduction in gigawatt-hours is comprised of the CFLs and the linear fluorescents?

MR. LAI: That's right.

MS. MITCHELL: And that's based on --

MR. LAI: And adjusted net to gross.

MS. MITCHELL: Okay. And that's the DEER update?

MR. LAI: And that's based on the 2008 DEER update for '09-'11 plan.

MS. MITCHELL: And then if I looked at the megawatt effect, it's the difference between the 3800 and the 2700.

MR. LAI: That's right.

MS. MITCHELL: The percentage calculation reduction, I can do that, or do you show that on another slide, what that percentage reduction is between those two?

MR. LAI: Let's see here. This is the percent change.

MS. MITCHELL: Okay.
MR. LAI: Of the adjusted secret surplus to the unadjusted secret surplus.
UNIDENTIFIED SPEAKER: So I think the answer is yes to his question.
MS. MITCHELL: So the 34 percent that you show as the change in gigawatt-hours, that's the reduction of the 20,000 gigawatt-hours down to the 13,000 gigawatt-hours. That's a 34 percent reduction.
MR. LAI: Right.
UNIDENTIFIED SPEAKER: Peter, back here.
MR. GRUPA: Mike Grupa [phonetic]. Just a clarification. On the first slide the net gross is on all measures not the linear and the CFLs, right?
MR. LAI: Yes, that's right. Thanks, Mike.
MS. MITCHELL: Okay. Thank you.
MR. GRUPA: The linear and the CFLs was just for the gross.
MR. LAI: For the savings, yes. Thanks, Mike.
MR. ROBERTS: This is Don Roberts, DRA. I'm just wondering if you'll be able to distribute this maybe in Excel format so we can look at the numbers. I think it will make it clear to look at it after the workshop.
MR. LAI: Yeah. We'll be happy to get the Excel spreadsheet to any one who is interested.
ALJ GAMSON: Hold on.
Off the record.
(Off the record)

ALJ GAMSON: Back on the record.

Recall that one of the purposes of the workshop today was to be looking at whether there ought to be considered changes in goals above and beyond anything which may occur out of the proposed decision which is on the Commission's agenda on Thursday.

To me that's what the interesting value of these charts are that Peter has presented, that it presents some ideas for thinking about some changes in goals. And I understand that there's a lot of caveats. I understand it's also not an Energy Division recommendation but simply information that's out there. So that's why it's helpful to get any clarification that we can.

One of the things that I'll be asking at the end of the workshop today is if anybody wants to comment formally on, this is all on the record today, but whether anybody wants to comment formally on the various things that have been presented today. So please keep that in mind as we go along.

Are there any other comments or questions on this presentation?

MS. GEORGE: Yes. This is Barbara George of Women's Energy Matters. Are you suggesting that the Commission might want to take into account this presentation on Thursday, in which case what would -- would they be delaying their decision in order to look at this?

ALJ GAMSON: No. I'm not suggesting that. The record for the decision on Thursday is closed. Reopen it. It's closed. But the record is closed for that. We're not taking any more -- this workshop is not for the record for Thursday's decision. However, what I'm suggesting is that, as I mentioned at the start of this workshop, that one of the things we're looking at overall is whether goals are appropriate in general above and beyond.

MS. GEORGE: But the decision does reduce the gas goals, right?

ALJ GAMSON: The proposed decision does reduce the gas goals, correct. And what we're looking at and haven't made any decisions about, haven't even made any decisions about whether we're going to take comments on, is whether there are any other issues above and beyond what is included in that proposed decision that we ought to consider in the final decision. And so that will be determined as we go along here.

Okay. Other comments or questions on this presentation?

(No response)

ALJ GAMSON: Okay. Then we'll move on. And if I am reading my agenda properly, next presentation is by Peter Lai.

We'll go off the record.

(Off the record)

ALJ GAMSON: We'll go back on the record.

Peter Lai will go to the next presentation: Scenario analysis, upstream CFLs in the '09-'11 portfolios.

MR. LAI: So this is the CFL or no CFL scenario analysis. I ran and used each of the utilities E3 calculator mandated scenarios to run this analysis. One caveat, that PG&E has informed me that the shareholders' incentive cost is not in the E3 calculator and SDG&E; is that right?

UNIDENTIFIED SPEAKER: That's correct.

MR. LAI: So same with Sempra, your incentive cost is not in there? How about Edison?]

MS. GEORGE: This is Barbara George.

Question, is the TRC calculations using the E-3?

MR. LAI: Yes, it is. It is based on E-3 calculator.

MS. GEORGE: I'm trying to understand. If this is -- are you saying now this is the opposite of what you said this morning? Because you said this morning that incentives are included in the TRC calculations, but now you are saying they are not?

MR. KESTING: The TRC calculations using the E-3 calculator do not include the incentives. We added them in afterwards. They are not included in the budget.

MS. GEORGE: So do you have a formula for how those are factored in? Is it always the same in each instance? I thought TRC's were pretty complicated calculations.

MR. KESTING: They are, but the E-3 doesn't calculate the TRC with the incentive. So PG&E has added that back in when we report our final TRC.

MS. GEORGE: So you've got two numbers. Basically, you've got one without incentives and one with incentives so we would be able to see the difference there?

MR. KESTING: I'm not sure. I believe so.

I think the point here is Peter Lia's analysis does not have the incentives, shareholder incentives included in the TRCs. They would be slightly lower, depending on how well the utilities overshoot their goals; correct?

MR. LAI: That is right. Mike informed me PG&E's calculator does not include incentives.

Now Sempra also reported the same, that their E-3 calculators do not include incentives.

MR. RUBIN: That is correct.

MR. LAI: That is a caveat we need to keep in mind when we are looking at this comparison.

MS. GEORGE: I guess what I'm really wondering, are there just, you know, are there just certain tables in your portfolios that have these added in? In other words, is it going to be impossible to match up numbers from one table to another? Because some are going to have the incentives and some are not. I mean, or do you just have them in one place where it is easy to find them?

MR. WAN: This is Mike Wan, PG&E.

If you look at the PG&E applications, those table that show the TRC, it is including the shareholder.

If go to the E-3 calculator, go to the TRC, it won't show that number because there is a limitation. The E-3 calculator, that does not have an input for shareholder in cost.

ALJ GAMSON: I think we need to move along in the presentation.

MR. LAI: So based on those caveats, with and without upstream CFL, the utilities look like they are likely to be cost-effective in their portfolio.

So Don, when you stepped out, we were talking about the various utilities, whether they included shareholder incentive. PG&E and Sempra does not include their incentives in their E-3 calculators. How about Edison?

MR. ARAMBULA: Thank you for the opportunity to clarify.

Yes, we did not include it in our cost-effectiveness calculations in our application. But we assumed our cap wouldn't be significant. I think our analysis was less than .05 points on a ratio. So it was not that significant.

MR. LAI: Okay, that is fine.

MS. FOGEL: Is the SDG&E calculation performed against the existing Commission goal as suggested by SDG&E's goal, which is lower than the Commission-adopted goal currently?

MR. LAI: It is -- when we look at the savings, we will have both the existing adopted 2004 goal, and the minus 20 percent that -- we put both numbers in there.

So let's go to that next slide.

Let's start off with PG&E. We see that for cumulative goals, the utilities, PG&E looked like they will likely be able to meet the gigawatt-hours and megawatt-hour goals with upstream CFL. But they look like unlikely will be able to meet the therms goal in the years -- the adopted '04 or the minus 20 percent.

Without upstream CFLs, they will be able to meet the gigawatt-hour but not the megawatt-hours, but now they are likely to meet the therm goals.

For the cumulative '09 through '11, again, they -- with upstream CFLs they will meet the electric goals but not the therms. Then without upstream CFL, it looks pretty tight, but terms goal looked good.

MR. FINE: Ed Vine.

What is the blue ink?

MR. LAI: Blue means a little tight, not much wriggle room.

MR. KESTING: I'll make a few clarifications here.

I assume this is without the EE dropoff as well?

MR. LAI: That is correct.

MR. KESTING: You made a statement that the utilities are likely to be cost-effective. I just wanted to clarify that that would be using current DEER values, and any changes to the DEER values could change that. So to say that it is likely to be cost-effective may be an overstatement.

MR. LAI: You are talking about the cost-effectiveness? That is based on the mandated scenario using -- we believe you are using the DEER numbers.

So any comments or questions on the PG&E one?

MS. GEORGE: I know we went over this this morning, and I'm so sorry, I'm still confused about it.

The dropoff means the effective useful life. Is that basically your 6,000 hours, is that what you are calling the dropoff?

MR. LAI: I believe they are referring to the life of a measure that was installed and has subsequently passed on.

MS. GEORGE: It has passed on.

So when you are saying it is not included, are you just assuming that that CFL is going to last forever or the people are going to replace it for -- by themselves and without utility programs, is that what you are saying?

MR. LAI: I'm just using what the goal numbers were, and just summed them up.

MS. GEORGE: But what you are talking about is this cumulative goal?

MR. LAI: Right.

MS. GEORGE: So are you saying none of the cumulative goals take into account that these measures burn out?

MR. LAI: That is correct.

MS. GEORGE: We just assume they are going to last for 100 years?

MR. LAI: It does not take into account the decay, and utilities need to pick them up.

MR. KESTING: Just to clarify, this analysis does not take that into account. The rules do take that into account.

MS. GEORGE: I thought they did. So when you are doing an analysis here, you are basing this on expectations that PG&E's portfolio has created? Is that -- I mean what is the -- I guess why wouldn't you use the dropoff number since we know they are going to be gone? Is the problem that you don't know whether they are accurate, which ones they predicted will be dying out?

MR. LAI: That is one of the issues. And we are not ready to do that analysis. We haven't had time to do that analysis. So it was not included as part of this analysis.

MS. GEORGE: But when PG&E is doing their cumulative goals numbers, they are assuming the dropoff but based on a nine-year life in residential? I guess that was Edison's nine-year life.

MR. KESTING: I'm just clarifying that this does not include the dropoff. The dropoff is there. That is -- those are the rules, and it is not in this analysis. So it does overstate the ability of the IOUs to achieve the goals. That is my clarification.

MR. FOGEL: Cathy Fogel, Energy Division.

I think we need to look into that issue more and to see what EULs are being used for which measure. Because as we discussed earlier, it is six years or over. The CFLs wouldn't necessarily be included in here for residential CFLs. But for nonresidential, it would be included, but that may be a small impact. So we don't know what the impact, numeric impact would be.

MS. MITCHELL: I had a question, Peter. Cynthia Mitchell, TURN.

You've taken the CFLs out, and you haven't assumed that anything else would go in in their place; is that correct?

MR. LAI: That is correct.

MS. MITCHELL: So this could be a worst-case scenario, or I would offer that that is a worst-case scenario. For instance, we could take out traditional CFLs, and we could really ramp up the specialty CFLs in the upstream lighting program, which per the utilities' filings they have very little. There is a lot of text devoted to going into speciality CFLs, but there is little numeric value in terms of the actual impact.

So if we put something else in those traditional CFLs in that place we could see those numbers come up, or we would see those numbers change.

MR. LAI: Yes, I basically just put a zero for upstream CFL.

MS. GEORGE: On the megawatt numbers that you have here, is that the calculated megawatt peak savings or is that actual peak savings that CFLs provide?

MR. LAI: That is the peak savings.

MS. GEORGE: So you did calculate how many of those residential CFLs would provide peak savings?

MR. LAI: It is done in the E-3 calculator.

MS. GEORGE: My understanding is the E-3 calculator is still using this percentage, does anyone know? Because in the past, the megawatt hour -- the megawatt, the peak savings, were simply calculated as mathematical percentage of hour -- you know, megawatt-hours. It was about 25 percent, I believe, not quite.

But obviously when you got a compact fluorescent light in a residential setting, very little of that, if any, is actually peak savings is what TURN's report was saying. So that is why I was wondering, did you take that into account, the actual peak savings of CFLs?

MR. LAI: We are hoping the utilities use the savings from DEER for CFLs, and that is what -- the number that went into the E-3 calculator.

MS. GEORGE: So that is the actual peak for that measure in -- like the average savings across the board?

MR. LAI: I think what you are thinking of in the goals decision where they took a percentage of the gigawatt-hours and convert that to megawatts. Is that what you are talking about?

MS. GEORGE: Right, that is how they did it in that. They don't do it that way in the DEER anymore.

MR. LAI: We are a little more evolved than that.

MS. GEORGE: Okay. Great. That is what I thought.

MR. LAI: Shall we go onto Southern California Edison?

So for '06 to '11 cumulative, with upstream CFL, we see Edison. Without upstream CFL, there is -- it is tight, it is not much room wriggle room.

But for '09 to '11 without CFL there, they are likely to meet their '09 to '11 goals.

MR. ARAMBULA: Peter, I just had the same kind of questions I had this morning, so I would like to clarify. You pretty much zeroed out the CFL lines and the input calculators; right?

MR. LAI: That is right.

MR. ARAMBULA: And you used the mandatory scenario, so there was no sensitivity to shifting of costs? The mandatory scenario for us had a lot of CFLs that is not in our preferred plan. So we had to reallocate dollars into nonresource type of programs to fortify our strategic plan programs which would be our preferred scenario.

The verification factor, I just go back to the footnotes on your handout. It is the same approach that you are talking about, same numbers.

MR. LIA: That is right.

MR. ARAMBULA: So there is not an adjustment to '06-'07 programs that were not reviewed in the verification report?

MR. LAI: It is the same as in Michael's presentation this morning.

MR. ARAMBULA: Same. Great.

The assumption is there would be no further measurement adjustments to the savings in the future? If numbers keep changing, that is what we assumed in our application, that numbers will continue to change.

MR. LAI: Which numbers?

MR. ARAMBULA: Updated measurement assumptions, low impacts, what have you, assumes steady state there throughout the cycle?

MR. LAI: This analysis was conducted, filed in the E-3 calculator.

MR. ARAMBULA: For 2008. So there is no future adjustments for adjustments that would occur in the future?

MR. LAI: I did not include any adjustments for anything else. Just straight forward.

MR. ARAMBULA: Okay, thank you.

MR. LAI: Any other questions on Edison's?

MS. FOGEL: This is Cathy Fogel, Energy Division.

I think this is obvious, but it is a question I guess to state, get on the record, is these analyses are against the existing goals. So they obviously don't take into account the slide that you just showed us regarding applying the DEER '08 values to the study, et cetera?

MR. LAI: That is right. It is our current adopted goals.

Jump to SDG&E, we looked at for SDG&E the '06 to '11 with upstream CFLs. The utility would have some difficulty, we believe, to meet their gigawatt-hour goals and their therms goal. Without upstream CFLs, they are unlikely to meet their gigawatt-hour, megawatt-hour goals. But they could be cutting it tight if the therms goals were reduced by 20 percent.

For the '09 to '11 goals, with upstream CFL, they will be likely to meet their goals for energy, for electric. But they will be cutting it tight even if we drop the therms goal 20 percent. And of course without upstream CFL, the other effect is that they probably won't make their gigawatt-hour, gigawatt goals, but will meet the therms goal.

ALJ GAMSON: Peter, these SDG&E numbers, again, it is like Cathy's question, they don't count SDG&E proposal for 25 percent reduction; correct?

MR. LAI: That is correct.

ALJ GAMSON: And I can't calculate them immediately, but it seems like that wouldn't make any difference?

MR. LAI: Yeah.

Any other questions, comments?

MR. RUBIN: Judge, just for clarification, that 20 percent reduction you were talking about was electric side of SDG&E, you are asking?

ALJ GAMSON: I'm talking about the 25 percent across-the-board reduction. That is electric only?

MR. RUBIN: That is what I am asking you.

ALJ GAMSON: Well, that is San Diego's proposal.

MR. RUBIN: That is correct.

MR. MC KINLEY: Peter, just real quick, that does include the 20 percent reduction in the therms already?

MR. LAI: Yeah.

MR. RUBIN: So even with that reduction, we are still really tight, is that what you are saying?

MR. LAI: Yeah, 20 percent reduction, cutting it close. The key number in brackets is 20 percent reduction.

MR. COITO: Peter, Fred Coito from Kema.

I just want to make clear, your cumulative goals, just the goals, as they stand, that includes CFLs?

MR. LAI: Yes, that is the adopted goals.

No more questions? Comments?

Thank you very much.

ALJ GAMSON: I'm sorry, Ms. George, you have a question?

MS. GEORGE: I wondered if you had done any analysis on what you might replace this with? Because it seems like we are at a funeral here for CFLs. And we are looking at this, you know, hole, which I actually thought would be bigger than it is. I'm kind of surprised that it isn't bigger. But, you know, I'm wondering about other programs I think that we can be thinking about other things that would fill that hole at this point instead of just being left with, you know, this big hole.

Is that something that you are going to do next to say what we might be able to do instead of this?

MR. LAI: I was just asked to run the numbers. I think that is a bigger discussion for stakeholders.

MS. GEORGE: An analysis of other potential programs, you know, like the upstream air conditioning program, for example, have you run the numbers on that one, see if that would help with this at all?

MR. LAI: No, I did not run any other numbers.

MS. GEORGE: Okay, thanks.

MR. STACK: Can I make a comment from the phone?

ALJ GAMSON: Comment from the phone.

MR. STACK: Ross Stack recommending the upstream air conditioning program.

Based on the recent -- we had a workshop, I guess roundtable last week. And clearly the opportunity is more than filled on the megawatt side, and placed most of it on the gigawatt side. But effect was achieved a whole lot more than the gigawatt-hours.

I think a workshop is needed on the specific small issues. And that with that, the industry is giving a commitment to change up to 60 percent of the HVAC numbers the first year, which would more than fill the megawatt hole.

ALJ GAMSON: Okay, that was a comment.

Are there any other questions or comments?

MR. BURT: Bob Burt, Installation Contractors.

I came with a couple of comments on underlaying data, which I hope would be appropriate today. And is this a good time that I could fit them in?

ALJ GAMSON: Well, we did have time for other presentations here after we finish with Peter Lai's presentation. This would be a good time for that.

So let's finish his presentation and see. I'll ask also if anybody else who wanted to make a presentation on any related topic. So let's see if we finish here first.

Any other comments or questions for Peter?

MS. THOMPSON: Shawn Thompson from the City of Irvine. May I ask a question?

ALJ GAMSON: Please.

MS. THOMPSON: I apologize for my ignorance.

In this entire discussion of with or without

CFLs, are we not discussing a replacement for advanced lighting? Are we not discussing replacing, for instance, a CFL program with an LED program or injunction lighting program that would take the place of the CFL?

ALJ GAMSON: Go ahead, Peter.

MR. LAI: That was not part of my assignment.

ALJ GAMSON: Cathy?

MS. FOGEL: Cathy Fogelman of the Energy Division.

We at the Energy Division have been planning some workshops recently, and this is the first. So we are planning to devote hopefully quite a number of workshops in the next six weeks or so. One would be devoted to CFLs and lighting more specifically, and we are hoping to have others. And we are scheduled to announce this Friday or Monday.

So the next two would be market transformation more broadly, we are planning that for June 3rd. And another workshop planned for June 8th currently on CFLs and lighting more broadly.

I believe Michael Wheeler is hoping to schedule one on the residential sector more broadly.

So we are hoping to have those discussions that delve down into specific market segments and measure groups to look for comments more specifically on the utility proposals and to explore the issues more thoroughly. This workshop was devoted just to the numeric questions that are raised by the utility application, policy proposals, as well as some of the party proposals to scale back CFLs.

ALJ GAMSON: You know, I would like to make a comment on this presentation.

Thank you very much, Peter.

This presentation was I think fairly simple and straight forward. It may have been difficult to calculate, but it was fairly simple. I think several people pointed that out, that there was some limitations to what was presented here, that is certainly true.

But it does illustrate a couple of points, one of which there is discussion in the proceeding about making changes to the level of CFLs in the portfolios compared to what the utilities have proposed, and whether we are talking about zero or not. Certainly there has been discussion about significant reductions. That is something which is on the table in the proceeding, and which I think it is helpful to have some sense, even if isolated, of what impact that would have on cost-effectiveness and goals. So it is simple in that sense.

But of course it also brings up and does beg the questions that came up of, well, if you didn't have CFLs would you have something different? Maybe it goes back to the discussion that TURN and DRA brought up earlier about changing parameters based on not having the CFLs. I think there is some relation.

So that Cynthia, perhaps you can speak to that, if you wish.

But, yeah, obviously this was not intended as something to say here is a decision chart, here is a chart or a table that will go in in a decision. It was intended as food for thought, a starting point of analysis or thinking about what should be going into the decision, what should the Commission be authorizing in the portfolios.

That was the purpose here. There will be these other workshops, as Cathy mentioned, to talk about related issues in more detail. And hopefully people will be able to go to those workshops and continue to think about these very, very complex issues.]

MS. GEORGE: Well, I would like to point out that as -- you know, as tight as those numbers were, they reflect what we see with free riders. So in a lot of ways, what you're looking at here is the, you know, amount that really can't be credited if you're going to use a net to gross.

Now we have gross goals that gives the utilities an incentive to ignore the free riders. But really I mean this -- what we're -- what we just saw is kind of what we have today as far as if we're accounting for how much the utility programs are actually producing in terms of savings, rather than something that would have happened anyway, which is the whole point in net to gross, these numbers here are pretty much, you know, very close to what actually exists out there.

ALJ GAMSON: All right. Well, thank you for that comment. Appreciate that.

Ms. Mitchell, did you have any comments on the relationship between this presentation and what you presented earlier?

MS. MITCHELL: I'd just offer that I think the Energy Division's taken the general idea that --

ALJ GAMSON: Your mike is not on.

MS. MITCHELL: Oh, excuse me.

Cynthia Mitchell, TURN.

Energy Division has taken the general idea of partitioning and refined it and narrowed it -- refined it more than what we presented.

Our analysis, we suggested that you could drop the goals by 40 percent. And it's Energy Division's numbers showing that you could drop the goals by around 30 percent. And I think that we're both headed down the same path. There's is more refined and I think stands stronger on an analytic basis.

But I did just want to add that instead of looking at this as a funeral, as Ms. George suggested, we're all being pretty sad around here about possible CFLs going away that, as Commissioner Grueneich noted this morning, maybe we should be patting ourselves on the back and saying, wow, let's celebrate the fact that we've got some high free ridership. That means we can get out of this market and get on with doing something else.

ALJ GAMSON: Okay. My guess is that CFLs are not going away under any circumstances, but the question has to with public funding for them, ratepayer funding.

So the question now is are there others who would like to make a presentation.

Mr. Burt, you wanted to talk about some matters.

MR. BURT: Bob Burt, Insulation Contractors.

I have two, hopefully, brief comments.

One is one that we have discussed before, and that is the fact that until about 1970, practically every house built in California came up with empty walls. And I remember when I arrived here and commented adversely on that, I was told, oh, the California climate, we don't need insulation except in the mountains.

All that changed, though, in 1970 when the requirements for a mortgage guarantee suddenly made insulation in the walls necessary. But we still have hundreds of thousands of houses that have empty walls, and that issue is not being addressed at present.

And it seems difficult to say why after 30 years of energy efficiency effort, but it's fairly simple to put insulation into those walls. You have to drill holes at each space in the wall, which makes holes roughly 18 inches apart to pump in insulation. And no matter how well those holes are repaired, the home owner is going to be rather unsatisfied until the repaired hole is painted over along with the rest of the wall. And none of the allowances have covered that.

Now if we look at the total costs, not just the utility bill, but the social costs, we are spending a lot of money supporting alternate energies, which are still public costs, still costs of that energy, and we see that those empty walls are energy sinks all year-round and especially are going to cause major impacts on the summer air-conditioning peak, we could justify paying for painting that wall.

And let me hasten to say that I am fully aware that the ZIP proved to us that there are hundreds of thousands of Californians eager to defraud energy efficiency programs. So I would not ask to have a paint contract authorized.

What I suggest is that we authorize a payment per square foot which would cover the cost of commercial painting of those walls. And that would then -- I think the program could still be found cost-effective with that added cost.

With that cost, you would have a homeowner having a choice if they wanted to do the added work of doing his own painting and thereby getting enough added money to paint the whole house, or we are still not cutting out the painting contractors.

Now I made this proposal several times in the past, and it's has been blandly ignored. And I suspect as my reading that this has been because it's considered serve-serving. And I would add -- make two arguments on that point.

First, even though it might be benefit insulation contractors, it might still be a good idea.

And second, that the miracle of market means that whenever there's a lot of extra insulation work shows up, a whole lot of extra insulation contractors show up. So I think that the program would be a benefit to the contracting community, not just us.

With that, I feel as a fairly brief summary of what I consider a major problem, but I would be happy to answer questions or comments.

ALJ GAMSON: Okay. Thank you very much.

Are there any questions or comments?

MS. GEORGE: How much higher would the rebate need to be?

I mean can you give us some idea of what it is now?

MR. BURT: Well, in effect, as a back-of-the-envelope calculation by me, and I don't pretend to know the full cost of paint contracting, it would approximately double the cost of putting the insulation in the wall. But as I said, considering the fact that our cost of especially those summer peaks is rising every year, I think it would still be justified.

ALJ GAMSON: Okay.

MR. BURT: My other comment is even briefer --

ALJ GAMSON: Go ahead.

MR. BURT: -- and I have to expose my age. I having following the business of economic forecasting since the '30s. And I can simply say that the current wild anticipation that the worst is behind us in this recession is very difficult to support. I suspect very strongly that the worst is yet to come, because every one of the very good, best economic indicators points straight down.

One easy for even non-economists to understand is the fact that in the past slightly more than a year, S&P 500 profits have dropped more than they ever have in the past. So I think we've got to assume that this economic downturn has a lot more coming, and that will of course affect both the desire to save money on utility bills and the funds available to pay for programs.

And with that, again, I await comment.

ALJ GAMSON: Thank you very much.

I think that you're probably the third person who has commented on economic downturn issues having an effect on energy efficiency. And I think that's something we're all painfully aware of.

So, thank you for that.

Any questions or comments?

Yes.

MS. GEORGE: This may have to do with the moving target issues that we were putting on the table this morning. I was wondering, on the avoided costs of the peak power, my understanding is that there's some differences in how that's calculated in the procurement side versus the energy efficiency avoided costs.

And are the E-3 calculators adjustable based on the changing cost of peak power? Is that actually plugged into the E-3 calculators, because this is, you know, very, very high.

ALJ GAMSON: Is there somebody who can answer that? Anybody here familiar enough with the E-3 calculator to answer that question?

Doesn't appear to be.

MS. GEORGE: Well, the question is really not just the E-3 calculator but the way that avoided costs are actually being used in the proceeding.

ALJ GAMSON: I think -- my recollection is we did put out a ruling several months ago which talked about what to use for avoided costs in this proceeding. And I don't think anything has changed on that.

If there are comments, testimony, that have come in in this proceeding regarding avoided costs, then, you know, that is also a subject that could potentially come up in the final decision.

And, yeah, it could be one of those moving target issues. There are probably dozens of moving target issues here unfortunately. It makes it very difficult.

MS. GEORGE: Well, one of the things that I believe made it -- made the insulation look like it wasn't as, you know, worth -- you know, the cost-effectiveness wasn't as good as could be, I mean the same problem with air-conditioning, just because the number of hours is not as great, although they have the -- you know, advantage of winter therm savings as well.

But basically if you actually calculated the real cost of peak power, which is incredibly high, that it would appear that there would be a lot more to spend, I mean in the energy efficiency world. And, in fact, if you looked at the energy efficiency program as a peak program, which I thought was one of the interesting things that Rocky Bacchus did, was he basically said this is a peak power plan at a fraction of the cost of actually producing peak power.

So that's -- that's why I was wondering whether we're really matching up avoided costs because someone -- you know, I haven't been able to follow the avoided cost proceeding. And I have heard that there is a difference between the way procurement looks at avoided costs versus the way energy efficiency looks at avoided costs. And I thought it would maybe be helpful to bring those two closer together.

ALJ GAMSON: Okay. Well, I can't answer that right now, but certainly it's -- you know, avoided costs are one part of this proceeding and one part of -- one part of the whole calculation. And so thank you for bringing up that issue.

Comment here? Question?

MS. KELLY: Ann Kelly with the City and County of San Francisco.

Before Don starts his presentation, I just wanted to clarify something, Cynthia.

I think you had just said that you would -- that according to your analysis, you would drop the goals by 40 percent; is that correct?

I know this came up earlier, but that's an impression that people are being left with.

MS. MITCHELL: Yeah, I'm sorry. I shouldn't have said drop the goals, but that we would adjust the goals to reflect the naturally occurring and market transformation effects attributable to the CFLs.

MS. KELLY: Okay. So I'm just going to have one illustration. I'll use Southern California Edison because they're on the top of the sheet.

It says the cumulative goals '06 to '11 are 6,600. How would you change that, or would you?

What would be TURN's recommendation on what those goals should be or --

MS. MITCHELL: I can't do that this minute, but I could get that to you later.

MS. KELLY: Then I'm just curious. We're trying to establish goals here. Do you question that these goals should be kept the same?

MS. MITCHELL: No. I think the goals need to be adjusted to reflect the ongoing, naturally occurring energy efficiency as represented by the portfolio average pre ridership rate of '06-'08, and then further adjust the goals to represent the additional free ridership portfolio average going forward for '09-'11. And that would be the market effects or market transformation component that the utilities along with the Commission would be working to ensure occurred as the utility moved out of those markets, which would be largely the CFLs.

MS. KELLY: And in the end, do you think those goals that the judge thinks -- is -- are we going to look at that goal number to go down perhaps, that 6,600 for SDG&E?

MS. MITCHELL: What we would be doing is saying we've achieved roughly 40 percent of the CPUC goals as set in 2004. We've achieved that through the 2011 portfolio cycle.

The utilities for the '09-'11 portfolio cycle would have the balance of the 60 percent work on and the 20 percent that they were nailing down as market transformation effects, the market effects.

We could also then -- I mean the next step then that we haven't talked about is adding in more goals as we reflect new technologies, improved cost-effectiveness. If we go to financing, for example, cost-effectiveness changes dramatically.

So we haven't had that discussion because it gets complicated, but the first step is to cut ourselves loose from the drag that we're having right now of dragging CFLs, you know, around our ankles and --

MS. KELLY: So theoretically, TURN would come up with a proposed --

MS. MITCHELL: Right. And our proposal is illustrative, and I'm using the 20 percent because the portfolio average free ridership break for '06-'08 is probably about 80 percent if you work with the numbers that were approved in the policy rules. And then if you look at the free ridership rate for the portfolio on average for '09-'11, it's around 60 percent. And so that's just illustrative.

And I think then of the Energy Division analysis as taking it one more -- it's a little more refined in terms of the analytical sophistication. And their number comes in around 30 percent.

And so it's -- it's not a reduction in the goals. It's a recognition that we have achieved some savings in California in the last -- since the goals were established in 2004.

MS. KELLY: But at the end of all this discussion, we do have to come up with numbers and that's all --

MS. MITCHELL: Right, right.

ALJ GAMSON: If I could interject on this -- and we do want to go to the next presentation -- it sounds to me like what's being said here on the TURN/DRA proposal is numbers would be different. They would have a different basis. Maybe they would include some different things, and they wouldn't include some other things that are included right now. It may be that the ultimate number is -- I'll say it -- lower than the current goals.

But it's just in your mind, the way you're presenting it, it's not really a direct comparison to the current goal because it's done on a different basis; is that fair?

MS. MITCHELL: That's fair, yes.

ALJ GAMSON: Okay. Even though I used the "L" word, "lower."

MS. MITCHELL: Yes.

ALJ GAMSON: Okay. We didn't want to use that word. It's possible. Maybe they'd even be higher under some set of circumstances. Okay.

Thank you.

MS. KELLY: I just have one other quick comment, that in taking into consideration the economic downturn, I think you need to balance this with the stimulus package because that's coming to -- to address that. And it's also part of there's a lot involved in energy.

So on the one hand, you have less activity; on the other hand, you are going to have an increased amount of activity. And there has to be balance.

ALJ GAMSON: Thank you.

Now we have a presentation which apparently is a review of Energy Division's CFL analysis.

Don, go ahead.

MR. ARAMBULA: Your Honor, this will be brief. We only have about three slides here, so . . .

What we want to do is take this opportunity to respond to the presentation by Peter on the CFL analysis.

Just make it a point that in our -- Edison's ' portfolio, and I think it's true with all the other utility portfolios, for our lighting program -- thank you -- for our lighting program we look at all cost-effective energy-efficient lighting solutions that are Energy Star-qualified that are ready to be placed in the market.

So we're not looking at technologies, and if there are not as many as you expect in our filings, it is simply because there's not that many out there yet. But as they come in, we onboard them, and we will continue to do that.

So anyway, getting back to the CFL analysis, the CFLs -- removing the CFLs from the goals does obviously ignore the potential analysis that was done just recently. As we are seeing again, it does lower the cost-effectiveness, and it exposes -- without recognition of continual adjustments to the assumptions, it will expose the portfolios to be non cost-effective.

This is especially interesting, once again, that we want to do these long-term strategic plan activities at the same time. So there's somewhat of a conflict there.

Also, generally when we plan portfolios, we look to a target or a bogey. This isn't a Commission directive. This just trying to manage a portfolio of a portfolio TRC of 1.5 or so when we plan or present to the Commission.

This was somewhat reflected in a ruling in December of last year that, although it wasn't a directive, it was noted in the ruling that it was reasonable to have a TRC in the 1.5 to the 1.7 ratio range.

So what this analysis offered up this afternoon, we start seeing TRCs below that. And so that is one of the issues -- one of the other issues we have.

Shahana will present the next slide and just provide an opinion that the market for CFLs is still out there. There still needs to be intervention, and it has not been transformed.

Shahana.

MS. SAMIULLAH: Shahana Samiullah, measurement and evaluation for Southern Cal Edison Company.

Okay. So the market for CFL is not transformed. Contrary to the buzz word out there about some parties, I would like to present some objective arguments so that we can see as a -- from a -- coming from an evaluator's perspective. So because I am going to be presenting some data from an evaluator's perspective for parties who are here and ask them to see that if we take this buzz word for its face value, what kind of -- it could have pretty -- pretty serious -- pretty heavy consequences in terms of both energy savings and demand reduction.

Because as we can see, that there is no data supporting transformation. In fact, all the studies, including CPUC studies as recent as six months ago, show that CFL market is anything but transformed.

We have an ongoing metering study, CFL meter study that KEMA is doing, and that study showed that 61 percent of all sockets are potentially available, all -- all screw-based sockets are potentially available and only 20 percent of all sockets are currently using CFL. The 65 percent of medium screw-based and 94 percent of small screw-based sockets remain occupied by incandescent bulbs.

So CFLs are not -- we take the position that CFLs are not yet business as usual for the California customers.

If we look around some estimates, some people have used estimates that 90 percent of households -- although we believe that it could be just 90 percent estimate could be upwardly biased because of social response bias issues -- that 90 percent of households had at least one CFL, which doesn't really mean that the majority of the available sockets are occupied by a CFL.

And only 20 percent of -- even within the KEMA working definition, what I call working definition of what a transformed household would be, only 20 percent of those households are called transformed households, which by KEMA's working definition mean 15-plus -- household have 12-plus CFLs in their homes.

And this very -- this is only among the CFL share users. So we don't see any evidence of market transformation by any definition. You take what definition you want to take, you want to take the sales share data or the saturation available. If you look at the sales share data, it's very well known. It's commonly available data that's only 78 percent available. Well, incandescent sales share is 78 percent. CFL has now 22 percent sales share.

And this -- if you want to set aside -- if you want to set aside this sales data or sales share data or saturation related data definition of market transformation aside, if you just want to see how else you want to define market transformation, you can see that no section of any residential or commercial segment enjoys an official assist in terms of standards that could be in favor of CFLs.

And yet, you know, you have -- just like other measures, like we say now windows are transformed among the remodeling market. So they at least -- those kinds of measures do get that official assist. CFLs don't have that official assist yet, at least not yet.

So another way to see this is look around yourself. Be cognizant of what's going on. We hear about that light -- there are going to be lighting workshops coming up.

So what's the -- you look at what's the working agenda of these lighting workshops. It's really to look at what's the next horizon to the CFL. It's not about pulling out of CFLs. It's about why are those -- what do we need to do about CFLs in terms of its technology to make it available, to make it be viable for all other applications, so that we fill that 61 percent of all sockets.

So that's the working agenda, and that's part and parcel of being in alignment with the California Strategic Energy Efficiency Plan.

We cannot leave CFLs out in this strategic plan because we need to find solutions in advance of the formulation of more advanced technologies, because this is -- this is how market transformation works.

You need to have something there in place to hold that place. You cannot leave that gap and work off to a -- to find those viable technologies to fill these other -- other gaps. You need CFLs to hold your place until you fill that pipeline with much higher efficient technologies.

So, in fact, I am going to close now by saying that we don't find any justification for leaving cost-effective energy efficiency savings in terms of CFLs. We need those CFLs to hold that place for the other, what we call, more difficult -- more difficult, less obvious technologies, like I'm hearing energy efficient painting perhaps as a measure, or other measures to fill both the short-term and long-term options that we want to have in an energy efficiency portfolio.

Thank you.

ALJ GAMSON: I have a question for everybody. And be honest. Remember, we're on the record.

How many of you have all or most all of your sockets that could take CFLs have CFLs in them?

At least half. Most of the people. Okay.

How many people here know somebody who doesn't work for the same organization you work for who has more or all of the sockets in their house that could take CFLs, don't have CFLs in them? Don't have.

Mostly don't, yeah.

Okay. That's a scientific study. We can add that to the literature.

(Laughter)

ALJ GAMSON: Something -- just the information here is imperfect, I think, a lot of us.

Are there any comments or questions on this presentation?

MS. THOMPSON [telephonically]: This is Shawn Thompson, at the City of Irvine.

ALJ GAMSON: Yeah, just one moment.

Okay. Please go ahead.

MS. THOMPSON: Oh, okay. Something I want to mention.

Again, I'm with the City of Irvine, and I am one of the members of the local government sustainable energy coalition, a coalition of local governments across the state. We've talked about this issue quite often, and we fully agree that lighting is an energy efficiency measure that is very cost-effective. It helps fight global climate change, and it's very much in line with the California Energy Efficiency Strategic Plan.

However, I think in this discussion that -- we have discussed this many times -- something that is often left out in the cost-effectiveness is the extra costs that are being passed onto local governments to collect these as hazardous waste.]

It's not that CFLs should not be used at all, but we would like to see CFLs be a portion of a larger energy efficiency measures type of program. So to us it's not a question of CFLs or no CFLs is the same as energy efficiency lighting or no energy efficiency lighting. We would very much like to have the portfolios address energy efficiency lighting with a much broader range of solutions that help us try not to increase our problems with this hazardous waste stream that's now being created for us.

The other comment on the CFLs is that I understand the studies, but I want to caution that counting sockets does not necessarily mean that each one needs to or will ever be filled with a CFL. And I think that is a flaw in the logic in looking at it from that standpoint. I personally believe, just like that impromptu survey, that if I can find CFLs next to laundry detergents in every grocery store that I go into, they have become mainstream. Whether the market penetration is where it should be is a different question.

I have comments on the overall goals. Should I hold those to a later time?

ALJ GAMSON: A comment on what topic?

MS. THOMPSON: On the overall goals.

ALJ GAMSON: Right.

MS. THOMPSON: This workshop discussed the goals in general, not just CFL.

ALJ GAMSON: Right. Thank you. No, no. This would -- why don't you go ahead with a comment on that right now. Thank you.

MS. THOMPSON: It will only take another minute or two.

The goals discussion seems to be one of whether they are appropriate for the '09-'11 time period. We would like to state that they are really goals for a 36-month time period, and we no longer have '09 at our disposal. The bridge funding, however wonderful it has been, has had its limitation because of its monthly allocations. And that has affected some of the members in our group as well. So they've experienced that personally.

We feel definitely that it would be more appropriate for those goals to be set for a 36-month time period that goes from 2010 to 2012. And there's one other reason why we feel this would be appropriate, not just because it gives a full 36 months, but because it would then coincide with an opportunity for the state to launch a California Energy Efficiency Alliance that's been envisioned in the energy efficiency strategic plan.

That was about all. Thank you very much for this opportunity, and I can't tell you how much we appreciate having the opportunity to participate in this workshop. Thank you.

ALJ GAMSON: Okay. Thank you. You know, at this point I'm going to ask if there's other comments on issues, but I do want to mention something before I forget, which is that on June 1 and June 2 there will be public participation hearings in this proceeding. The one on June 1 is going to be -- actually two of them on June 1 will be in Los Angeles actually in Culver City, and that will be at 2:00 o'clock and 7:00 o'clock. It's on the Commission's web site, the calendar, if you want to find out the exact location. Hopefully there was a notification sent out on that.

The second ones will be in San Diego. I think it's in Kearny Mesa on June 2nd again at 2:00 o'clock and 7:00 o'clock. There will be one scheduled for here, and I believe that's going to be on July 7th. That's not yet official, but probably on July 7th. Commissioner Grueneich will be at the meetings in L.A.

and at the meetings at San Diego, probably the one here too.

And we certainly will welcome any one who would like to show up. It's not really for parties, but feel free to show up. It's a public meeting. And certainly anybody who is not a party and local governments, local government officials and representatives are certainly welcome. Anybody who would like to show up at these public participation hearings are very welcome. Very much like to hear from you on any issue related to energy efficiency and this proceeding.

Are there other comments or questions on anything that we've discussed today?

MS. THOMPSON: This is Shawn Thompson with the City of Irvine again. When we say that the meetings are at 2:00 o'clock and 7:00 o'clock, does that mean there are two separate sessions, or is there a break for dinner? Or I'm not sure what that means. If you could clarify that would be wonderful.

ALJ GAMSON: Sure, sure. No. It means that there's two separate sessions, two separate opportunities for public input. I hopefully will be having dinner in between. But yes, two separate ones. Anybody can go to either of them or both of them or all of them. And again, we welcome as many people who would like to show up to those.

ALJ GAMSON: Ms. George.

MS. GEORGE: Yeah. If we're wrapping things up at this point.

ALJ GAMSON: Getting there.

MS. GEORGE: One last question?

ALJ GAMSON: Yes.

MS. GEORGE: My question is, Cathy Fogel said that there were going to be other workshops on some of the same issues that we've talked about today. When are we going to have a workshop to address the procurement and ISO side of energy efficiency?

ALJ GAMSON: Well, we are determining what workshops we want to have, and there have been a number of workshops that have been requested. We're not going to have workshops on every issue, but we're going to put out a list in a few days of what we're going to do.

MS. GEORGE: Well, I guess my question is that I think that the discussion today really pointed up the lack of clarity about how real our goals actually are. And I do have one more comment that I wanted to make on the TURN proposal in regard to that. But I also really feel that there is a fuzziness about what our numbers really mean, that I think we really need to address that sooner rather than later because if we're going to use energy efficiency as a resource and if we're going to give these numbers over to the procurement side, they are going to want to know that those are real numbers. And I don't have a sense from any one here that these are real numbers.

I mean, you know, when we're looking at losing 40 percent of the goals, you know, with the TURN proposal, I'm -- you know, that's pretty amazing. But I do want to point out that the -- so changing the subject back to this TURN proposal, we have these three buckets from Energy Division. We've got, over on Bucket A is labeled net savings from IOU programs. And so Bucket B called naturally occurring savings, that discussion sounded like the free riders are either all of that or some of that. And then there's the Bucket C, which is savings from codes and standards.

So what we have right now are gross goals. In other words, they would take in both Bucket A and Bucket B. Is that correct? The current -- you know, the goals that were -- you know, what we have is basically the 2004 goals except we're looking at them on a gross basis instead of a net basis.

MR. WHEELER: This is Michael Wheeler, Energy Division. We have gross goals now that do take into consideration both the net and the naturally occurring or free riders.

MS. GEORGE: Right. Okay. And so there isn't any need to reduce them at all because they're already gross. They're going to be gross in the future. And so there's no need to get rid of that naturally occurring section, which is what TURN's presentation seemed to --

MS. COX: Can I maybe clarify something? Cheryl Cox for DRA. Because I know we're talking about like this lowering goals like it's a dirty word and people are afraid to say it. And I don't think that's what we're talking about. I think that we're talking about adjusting the goals downward to be more realistic for what the utilities' situation is. That's fine. But we're not talking about lowering the overall goals. And so when we had that slide that had like the umbrella, there's a larger bucket of savings that are all the goals, not the lower goals, all the goals of which the utilities are one component. So we're not talking about lowering all the goals. We're talking about possibly adjusting downward one component of it.

MS. GEORGE: So what we're going to say then is that our goals include free riders as well as the IOU induced savings.

MR. BURT: We should.

ALJ GAMSON: We've already said that the goals are gross.

MS. GEORGE: Right.

ALJ GAMSON: That decision has been made.

MS. GEORGE: Yeah. So any way, it doesn't seem to me that there would be any need to adjust for net to gross. I mean the -- you know, even though I disagree with the idea of not accounting for free riders, I still think that the proposal from my understanding that TURN and DRA were making was that we need to reflect more of what's happening. And I think we're already reflecting what's happening on the larger sense.

ALJ GAMSON: What that brings me to -- and thank you for that comment. What that brings me to is the question of whether there needs to be comments or there's a desire for comments on the workshop today. And I said at the beginning that I'm not going to make any decisions today and I'll consult with the commissioner on this. But raise your hands if you want to make comments on the topics raised today.

MS. COX: I'm going to raise for TURN.

ALJ GAMSON: She's already there.

MS. COX: Okay. You are.

ALJ GAMSON: So I see a couple people raised their hands for comments. There is also going to be other workshops. There may be some need for comments from those workshops as well.

So what we're going to do is look at the record that was developed here, think about the upcoming workshops, think about the need to develop the record further in general for this proceeding, make sure that we can get to goals that reflect reality and reflect achievement that's possible and reflect the overall energy efficiency goals that we're trying to pursue here, strategic planning, etcetera, types of goals here, and try to get the right amount of information into the record here so that we can make a timely decision in this proceeding in the not too far distant future.

So are there any other comments anybody would like to make on anything brought up today?

MR. BACCHUS: Yes. From the phone.

ALJ GAMSON: Yes. Telephone. Please say your name.

MR. BACCHUS: This is Rocky Bacchus. I wanted to ask if potentially up to [inaudible] could deliver a goal within megawatts greater than the entire current goal that is established, what would be the proper procedure or method to request a workshop to address those very specific items on how the procedure is run and some other specific issues? Would a letter be sent to the Service List? Would something be sent to the ALJ's office, or how would we propose a specific workshop to try and address the issues that I believe are keeping us from -- you know, the response that's happening is that both the Energy Division and the IOUs are so busy with trying to get the refilings done that they haven't had time to look at the statistics to add Measure H type program. It's not that any one has found a problem with it. It's just that they haven't had the time or set any time aside to do that. How would I suggest or request that?

ALJ GAMSON: Number one, I think you just did request a workshop. But in terms of the specifics, I would have you get in touch with Cathy Fogel and have Cathy Fogel get in touch with you. Cathy is our staff person in charge of setting workshops.

MR. BACCHUS: Okay.

ALJ GAMSON: So two of you can talk to each other and go forward on that.

MR. BACCHUS: Thank you very much.

ALJ GAMSON: Other questions or comments?

Yes.

MS. GEORGE: I feel that there's been a kind of a pall over today's proceedings because there's, the numbers tend to push the utilities towards trying to lower the goals. And so it seems like there's a lack of enthusiasm for the whole portfolio because everybody, it seemed like so many people in this room were pushing to make it, you know, to make it easier to meet those goals, in other words, lower the goals, lower the threshold.

And I just want to say that it feels like there's a lid on this and that it would really be great if future workshops can get us back to the ideas that were in the strategic plan which were talking about how to bring in more actors to make this happen and having the utilities work collaboratively with other parties.

And I don't think that we got into the question today of the attribution of greenhouse gas emissions and that whole question which has been put on the table by the local governments. They want their own credit for the greenhouse gas emissions. And they, you know, they have been offering solutions and much more upbeat and hopeful solutions about how to meet goals and how to go forward and make this all better.

And I noticed in the scoping memo, you know, October 30th there's a discussion about another rulemaking where there would be a discussion of other, you know, independent administration options. I don't know if that rulemaking is happening. It would seem like it would need to happen before this decision. Otherwise that leaves the Commission with no options. I mean here you have a very unwilling player, doesn't want to play with the other kids in the playground, and that seems like we're overlooking, you know, the biggest opportunities to save greenhouse gases.

ALJ GAMSON: Okay. Let me just try to end on a positive note here. I think you've hopefully brought up that point, which is, there's been a lot of discussion internally here and I think externally as well in comments and such on some of the problems, problems in terms of meeting goals, problems in terms of calculations and numbers, problems in terms of incentives, etcetera. There's been a lot of discussion on that.

But that should not take away from the major focus of what this proceeding is about and indeed what energy efficiency public policy is about, and that is good programs. That is savings. That is greenhouse gas reductions. That is making California a leader, keeping California a leader. That is spending what looks like billions of dollars to this effect. That is to look at these long-term strategic plan issues in terms of how to get the best programs that are long lasting and persistent.

And I think that every one should take away that our eye is still on the ball and that these good ideas that are out there, and there have been lots of good ideas that have been put forward in this proceeding, before this proceeding today, etcetera, in terms of programs. This is the point. This is what we're about, and this is what the final decision in this proceeding will be about. That will be the focus.

We're tinkering around the edges. We're talking about some of the parameters. You know, we have to deal with lots and lots of details, many moving targets. This is extremely difficult and extremely complicated.

But I for one am very optimistic. I have a bunch of CFLs in my house. Didn't raise my hand earlier, but I do. And, you know, I think we're making progress here. It's slow, it's painful, and it's difficult.

I appreciate everybody's contributions, Commissioner Grueneich appreciates everybody's contributions. We've got a terrific staff here internally that's working on this that's extremely dedicated to doing the right thing and coming up with terrific outcomes. I think what you're going to see is even if everybody doesn't get exactly what they want or is not a hundred percent happy with any particular decision or any particular outcome, I think everybody will appreciate at the end that the effort that went into this and the ultimate work product that comes out of this is moving the State of California forward, moving public policy period, moving energy efficiency forward tremendously here.

So on that note, positive note, I'll thank everybody for their participation.

And we are off the record.

(Whereupon, at the hour of 3:44 p.m., the workshop was concluded.)

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